

DEFINITIVE AGREEMENT

by and among

**DAUGHTERS OF CHARITY MINISTRY SERVICES CORPORATION,
a California nonprofit religious corporation,**

**DAUGHTERS OF CHARITY HEALTH SYSTEM,
a California nonprofit religious corporation,**

**PRIME HEALTHCARE SERVICES, INC.,
a Delaware corporation,**

and

**PRIME HEALTHCARE FOUNDATION, INC.,
a California nonprofit public benefit corporation**

DATED: September __, 2014

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DEFINITIVE AGREEMENT

THIS DEFINITIVE AGREEMENT (this “*Agreement*”) is made and entered into as of the ____ day of September, 2014 (the “*Effective Date*”) by and among **Daughters of Charity Ministry Services Corporation**, a California nonprofit religious corporation (“*DOCMSC*”) and **Daughters of Charity Health System**, a California nonprofit religious corporation (“*DCHS*”), on the one hand, and **Prime Healthcare Services, Inc.**, a Delaware corporation (“*Prime Healthcare*”) and **Prime Healthcare Foundation, Inc.**, a California nonprofit public benefit corporation (“*PHF*”), on the other hand.

RECITALS

WHEREAS, DCHS is a California nonprofit religious corporation that controls directly or indirectly the Business (including the Hospitals) in California;

WHEREAS, DOCMSC holds the sole membership interest in DCHS;

WHEREAS, DCHS and DOCMSC have determined that it is in the best interest of DCHS to consider strategic alternatives for the ownership and operation of the Business;

WHEREAS, DCHS and DOCMSC desire to transfer the ownership and operation of the Business (except as described immediately below with regard to PHF) to Prime Healthcare by substituting Prime Healthcare as the sole corporate member of DCHS, and converting DCHS into a for profit corporation; and

WHEREAS, DCHS and DOCMSC desire to transfer the ownership and operation of certain portions of the Business (as described in Section 2.1(b)) to PHF by substituting PHF as the sole corporate member of certain DCHS Affiliates, and converting such DCHS Affiliates into a nonprofit public benefit corporations from religious corporations, if any; and

WHEREAS, Prime Healthcare desires to become the sole corporate member of DCHS, and PHF desires to become the sole corporate member of certain DCHS Affiliates, upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions. When used in this Agreement, the following terms shall have the meanings assigned to them in this Section 1.1.

“*2005 Bonds*” means the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A outstanding in the principal amount as of July 30, 2014 of Two Hundred Fifty-Six Million One Hundred Seventy Thousand Dollars (\$256,170,000) and the California Statewide Communities Development Authority

Revenue Bonds (Daughters of Charity Health System – St. Francis Medical Center) Series 2005F, 2005G and 2005H outstanding in the principal amount as of July 30, 2014 of Twenty-Eight Million Three Hundred Five Thousand Dollars (\$28,305,000), secured by Obligations Nos. 8, 10 and 11 issued under the Master Indenture and by the Deeds of Trust.

“*2014 Bonds*” means the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) 2014 Series A, B and C outstanding in the principal amount of One Hundred Twenty-Five Million Dollars (\$125,000,000), secured by Obligations 13, 14 and 15 insured under the Master Indenture.

“*Acceptable AG Conditions*” shall mean (i) a condition set forth in the California Attorney General’s letters conditionally consenting to the acquisition of Emanuel Medical Center by Doctors Medical Center of Modesto, Inc. dated January 10, 2014, Paradise Valley Hospital by Prime Healthcare and Prime A Investments, Inc. dated February 26, 2007, or Sherman Oaks Hospital by Prime A Investments, LLC and Prime Healthcare Services II, LLC dated December 22, 2005, or (ii) any condition (whether a business condition, financial condition or other type of condition) which if imposed by the California Attorney General would not have a substantially adverse economic impact on Prime Healthcare’s or PHF’s ability to operate the Hospitals following the Effective Time.

“*Actual Fraud*” means intentional conduct constituting actual fraud as defined in accordance with the laws of the State of California (and not as the result of any claim based upon the theory or doctrine of any Health Care Laws, including without limitation, any federal and state fraud and abuse laws, self-referral laws or false claims acts).

“*Affiliate*” means an entity which, directly or indirectly, controls, is controlled by, or is under common control with, the referenced party. For purposes of this definition, the term “control” (including the correlative meanings of the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of management policies of such Person, *provided* that, with respect to DCHS and Prime Healthcare, “*Affiliate*” shall not include officers or directors of DCHS or Prime Healthcare and for purposes of this Agreement, PHF shall be considered an Affiliate of Prime Healthcare. For avoidance of doubt, DOCMSC is an Affiliate of DCHS for all purposes in this Agreement.

“*Aggregate Damage*” has the meaning given it in Section 3.4(a).

“*Agreement*” has the meaning set forth in the introductory paragraph.

“*Antitrust Filings*” has the meaning given it in Section 6.3(b)(i).

“*Application*” has the meaning given it in Section 6.3(a).

“*Assumed Liabilities*” has the meaning given it in Section 2.6.

“*Balance Sheet*” has the meaning given it in Section 2.6.

“*Balance Sheet Date*” has the meaning given it in Section 4.4.

“*Bank*” has the meaning given it in Section 2.8(a).

“*Bonds*” means the 2005 Bonds and the 2014 Bonds.

“*Business*” means the businesses conducted by DCHS as of the Effective Date, including without limitation the assets and operations of the Hospitals and the other legal entities described within the definition of DCHS.

“*Business Day*” means a day other than a Saturday, Sunday or other day on which commercial banks in New York or California are authorized or required by Law to close.

“*California Attorney General Approval*” means either the written consent of the California Attorney General to the Transaction, or the conditional consent of the California Attorney General to the Transaction, *provided* that any such conditional consent must contain only Acceptable AG Conditions.

“*Cash Purchase Price*” means has the meaning given it in Section 2.4.

“*Casualty Notice*” has the meaning given it in Section 3.4(a).

“*CBS*” means Caritas Business Services, a California nonprofit religious corporation of which DCHS is the sole Class A Member.

“*CBS Senior Directors*” means the individuals set forth on **Schedule 1.1(a)**.

“*CDPH Approvals*” has the meaning given it in Section 7.1(a)(iv).

“*Church Approval*” has the meaning given it in Section 8.6.

“*Church Law*” has the meaning given it in Section 8.6.

“*Closing*” has the meaning given it in Section 3.1.

“*Closing Date*” has the meaning given it in Section 3.1.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Collective Bargaining Agreements*” means the collective bargaining agreements and other labor union contracts, including any expired collective bargaining agreement with respect to which a duty to bargain still exists, all as listed on **Schedule 1.1(b)**.

“*Continuing Employee*” has the meaning given it in Section 7.3(a).

“*Contracts*” has the meaning given it in Section 2.6(g).

“*Cost Reports*” means all cost and other reports filed by Prime Healthcare for payment and/or reimbursement from Government Entity payment programs and other payors with respect to the Business.

“*DCHS*” means the legal entity described in the introductory paragraph, and as used in this Agreement includes the interests of such legal entity as corporate member of the following Affiliates and its interests, if any, in their assets as the context herein may require: (i) the following California nonprofit religious corporations: O’Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Caritas Business Services, DCHS Medical Foundation, St. Vincent de Paul Ethics Corporation and St. Vincent Dialysis Center, Inc.; (ii) Marillac Insurance Company, Ltd., a Caymans entity of which DCHS is the sole shareholder; (iii) the Philanthropic Foundations; (iv) DePaul Ventures, LLC, a California limited liability company of which DCHS is the sole member; and (v) the following medical office properties, each of which is owned in connection with one of the Hospitals: Huntington Park Medical Office Building; Maywood Medical Office Building; St. Vincent Professional Office Building; Ocean View Pavilion; Medical Office Building (O’Connor Hospital); Clarmar Building; Barclay Building Medical Office Condo; Morgan Hill Medical Office Building; Serramonte Medical Center; SMOC #1 Medical Office Building; and SMOC #2 Medical Office Building; and the following land, each of which is owned in connection with St. Francis Medical Center, Parking Garage #2 Land, and the land located at 3628 Imperial Highway, Lynwood, CA 90262, on which the St. Francis Medical Plaza is located.

“*DCHS Employees*” has the meaning given it in Section 4.15(a).

“*DCHS Executives*” means those individuals identified on **Schedule 1.1(c)**.

“*DCHS Marks*” is defined in Section 2.2(a).

“*DCHS Medical Foundation President*” means the individual serving from time to time as the chief executive officer of DCHS Medical Foundation, who is Ernie Wallerstein as of the Effective Date.

“*DCHS Names*” is defined in Section 2.2(a).

“*DCHS Plans*” has the meaning given it in Section 4.14(a).

“*Deeds of Trust*” means each Deed of Trust with Fixture Filing and Security Agreement dated as of December 1, 2001 granted by a Member of the DCHS Obligated Group to the Master Trustee under the Master Indenture.

“*Defined Benefit Church Plan*” means the Daughters of Charity Health System Retirement Plan, which has been consistently treated and administered by DCHS as a non-electing “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code.

“*Defined Contribution Church Plans*” means the Daughters of Charity Health System Retirement Plan Account, the Daughters of Charity Health System Supplemental Retirement Plan (401(a)) and the Daughters of Charity Health System Supplemental Retirement Plan (TSA/403(b)), and any other defined contribution plan that is listed on **Schedule 1.1(d)** (whether or not frozen), each of which has been consistently treated and administered by DCHS as a non-electing “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code.

“*Disagreement Notice*” has the meaning given it in Section 7.6(b).

“Disclosure Schedules” has the meaning given it in ARTICLE 4.

“DOCMSC” means the legal entity described in the introductory paragraph that is also the sole corporate member of DCHS.

“D&O Insurance” has the meaning given it in Section 6.7.

“Effective Date” has the meaning set forth in the introductory paragraph.

“Effective Time” has the meaning given it in Section 3.1.

“Employee Pension Benefit Plan” has the meaning set forth in Section 3(2) of ERISA.

“Employee Welfare Benefit Plan” has the meaning set forth in Section 3(1) of ERISA.

“Encumbrance” means any mortgage, deed of trust, pledge, assessment, security interest, lease, sublease, lien (including mechanic’s or materialmen’s liens and judgment liens), levy, right of way, easement, covenant, charge or other encumbrance of any kind, whether imposed by contract, Law, equity or otherwise.

“Enforceability Exceptions” has the meaning given it in Section 4.3.

“Environmental Laws” shall mean all Laws relating to: (i) the control of any potential pollutant or protection of the ambient air, indoor air, groundwater, drinking water, storm water, waste water, wetlands, surface or subsurface soil or land; (ii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal, arrangement for disposal or transportation; (iii) exposure to hazardous, toxic or other substances alleged to be harmful; and (iv) worker health and safety, and includes without limitation, (A) judicial, administrative, or other regulatory decrees, judgments, and orders of any Governmental Entity, and (B) the following statutes and the regulations promulgated thereunder: the Clean Air Act, 42 U.S.C. § 7401 *et seq.*, the Clean Water Act, 33 U.S.C. § 1251 *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.*, the Superfund Amendments and Reauthorization Act, 42 U.S.C. § 11011 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, the Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*, the Safe Drinking Water Act, 42 U.S.C. § 300f *et seq.*, CERCLA, OSHA, the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 *et seq.*, and any other state, county, or local regulations similar thereto.

“Environmental Survey” has the meaning given it in Section 4.9(a).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Estimate” has the meaning given it in Section 3.4(a).

“Excluded Liabilities” has the meaning given it in Section 2.7.

“Fiduciary Liability Insurance” has the meaning given it in Section 6.8.

“Financial Statements” has the meaning given it in Section 4.4.

“GAAP” means United States generally accepted accounting principles and practices as in effect from time to time, as modified, as described in **Schedule 4.4** and applied by DCHS consistently throughout the periods indicated and in accordance with DCHS’s prior practices and policies.

“GAAP Exceptions” has the meaning given it in Section 4.4.

“Governmental Entity” means any federal, state or local court, legislative body, governmental body, municipality, political subdivision, department, agency or authority, including the Attorney General of California and the Medicare and Medicaid programs (including their fiscal intermediaries and administrative contractors).

“Hazardous Materials” means any (i) toxic or hazardous materials or substances, including mold; (ii) solid wastes, including asbestos, polychlorinated biphenyls, mercury, chemicals, flammable or explosive materials; (iii) radioactive materials (including naturally-occurring radioactive materials); (iv) petroleum or petroleum products (including crude oil); (v) medical waste; and (vi) any other chemical, pollutant, contaminant, substance or waste that is regulated by any Governmental Entity under any Environmental Laws.

“Health Care Laws” means all Laws applicable to health care providers and facilities; federal and state health care program conditions of participation, standards, policies, rules, procedures and other requirements; and accreditation standards of any applicable accrediting organization, including the federal (Title XIX of the Social Security Act) and state Medicaid programs and their implementing regulations, the Medicare Program (Title XVIII of the Social Security Act) and its implementing regulations, the federal False Claims Act (31 U.S.C. §§3729 *et seq.*), the Federal Health Care Program Anti-Kickback Statute (42 U.S.C. §1320a 7b(b)), the Federal Physician Self-Referral Law (42 U.S.C. §1395nn), the Federal Administrative False Claims Law (42 U.S.C. §1320a 7b(a)), the Beneficiary Inducement Statute (42 U.S.C. §1320a-7a(a)(5)), the HIPAA and the HIPAA Privacy Rule, the HIPAA Security Rule and the HIPAA Standards for Transactions and Code Sets (42 U.S.C. 1320d 1329d 8; 45 CFR Parts 160 and 164), the Health Information Technology for Economic and Clinical Health Act (Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (Feb. 17, 2009)), the federal Confidentiality of Alcohol and Drug Abuse Patient Records Act (42 U.S.C. 290ee 3), the Rehabilitation Act, the Americans with Disabilities Act, the Occupational Safety and Health Administration statutes and regulations for blood borne pathogens and workplace risks, and any state and local laws and the regulations promulgated pursuant to such laws, that address the same or similar subject matter. Health Care Laws also include federal, state and local health care laws applicable to health care providers and facilities, including, without limitation, laws related to: federal and state health care program billing, cost reporting, revenue reporting, payment and reimbursement; federal and state health care program fraud, abuse, theft or embezzlement; procurement of health care services, human and social services, and other health related services; employee background checks and credentialing of employees; credentialing and licensure of facilities or providers of such services; zoning, maintenance, safety and operations of group homes, residential facilities and day programs, and other building health and safety codes and ordinances; health facility planning laws; state law restrictions on the corporate practice of medicine (and the corporate practice of any other health related profession); eligibility for federal and state health care program contracting, including

any requirements limiting contracting to nonprofit or tax exempt entities; patient information and medical record confidentiality, including psychotherapy and mental health records; splitting of health care fees; patient brokering, patient solicitation, patient capping, and/or payment of inducements to recommend or refer, or to arrange for the recommendation or referral of, patients to health care providers or facilities; standards of care, quality assurance, risk management, utilization review, peer review, and/or mandated reporting of incidents, occurrences, diseases and events; advertising or marketing of health care services; and the enforceability of restrictive covenants on health care providers.

“Holdback Amount” has the meaning given it in Section 2.5.

“Hospital CEOs” means the individuals serving from time to time as the chief executive officers of the Hospitals, who are Gerald Kozai, Catherine Fickes, James Dover and Joanne Allen as of the Effective Date.

“Hospital Trademarks” means the following trademarks: “St. Francis Medical Center,” “St. Vincent Medical Center,” “Seton Medical Center,” “Seton Medical Center – Coastside,” “Saint Louise Regional Hospital” and “O’Connor Hospital.”

“Hospitals” means the licensed acute care hospitals known as O’Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and the skilled nursing home and emergency department known as Seton Medical Center - Coastside. “Hospitals” also includes the clinics operated by DCHS Medical Foundation and the outpatient dialysis center operated by St. Vincent Dialysis Corp., as applicable.

“HSR Act” means the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended.

“Insurance Policies” has the meaning given it in Section 4.16.

“Intellectual Property” means all patents, trademarks, service marks, trade names, logos, trade dress, domain names, copyrights, know-how, trade secrets, and corresponding applications and registrations.

“Knowledge” means with respect to (i) DCHS, the actual then current knowledge of the Chief Executive Officer or the Chief Financial Officer of DCHS, the Hospital CEOs, the DCHS Medical Foundation President as of the Effective Date and Closing after reasonable inquiry of their respective direct reports; and (ii) Prime Healthcare, the actual then current knowledge of the Chief Executive Officer, the President of Operations or the Chief Financial Officer of Prime Healthcare as of the Effective Date and Closing after reasonable inquiry of their respective direct reports. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

“Law” means any constitution, law (including common law), statute, standard, ordinance, code, rule, regulation, resolution, or promulgation of any Governmental Entity or any license, franchise, permit, or similar right granted under any of the foregoing, or any similar provision or duty or obligation having the force or effect of law.

“*LC Deposit*” has the meaning given it in Section 2.8(a).

“*Letter of Credit*” has the meaning given it in Section 2.8(a).

“*Licenses and Permits*” means, collectively, all licenses, permits, certificates, registrations, accreditations, consents, orders, authorizations and approvals with respect to the Business obtained from, filed with or issued by any Governmental Entity or pursuant to any Law.

“*Local 39 Pension Plan*” means the Stationary Engineers Local 39 Pension Plan.

“*Loss Consultant*” has the meaning given it in Section 3.4(d).

“*Losses*” has the meaning given it in Section 3.5(c).

“*Master Indenture*” means the Master Indenture of Trust dated as of December 1, 2001 among the Members of the DCHS Obligated Group and the Master Trustee, as amended and supplemented.

“*Master Trustee*” means U.S. Bank Trust National Association.

“*Material Adverse Effect*” means any result, occurrence, fact, change, event or effect that has a material adverse impact on the business, assets, financial condition or results of operations of the Business taken as a whole; *provided, however*, that none of the following shall be deemed in themselves (either individually or in the aggregate) to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (i) any change in economic or political conditions or the United States or foreign economies or securities or financial markets in general; (ii) any change generally affecting industries, markets or geographical areas in which the applicable Hospital is operated; (iii) the negotiation, execution, announcement, pendency or performance of this Agreement or the Transaction or any communication with DCHS or any of its Affiliates of their plans or intentions (including in respect of employees) with respect to the Business; (iv) the consummation of the Transaction contemplated hereby or any actions by the parties taken pursuant to this Agreement or in connection with the Transaction; losses from operations of the Hospitals that are materially consistent with the historical and projected performance of the Hospitals; (v) any change arising in connection with natural disasters or acts of nature, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions whether or not occurring or commenced before or after the date of this Agreement; (vi) any changes in applicable Laws, accounting rules or the interpretation thereof that are not directed at DCHS, Prime Healthcare or hospitals operated by for profit entities, in each instance to the exclusion of others; (vii) changes in GAAP; (viii) any labor strike or work stoppage arising in connection with the activities contemplated by Section 7.6; (ix) any actions taken by DCHS at the recommendation of Prime in accordance with Section 6.9 that DCHS would not have otherwise taken in the ordinary course of business; (x) compliance with the terms of, or taking any action required by, this Agreement; (xi) actions required to be taken by DCHS under applicable Law or contracts; (xii) submission of applications for rights in Intellectual Property; or (xiii) the assignment, transfer, conveyance or distribution contemplated by Section 2.2.

“Material Loss” has the meaning given it in Section 3.4(b).

“Member of the DCHS Obligated Group” means each of DCHS, O’Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center.

“Multiemployer Plan” or *“Multiemployer Plans”* means one or both of the Local 39 Pension Plan and the RPHE.

“Outside Date” has the meaning given it in Section 10.1(b).

“Permitted Exceptions” means and includes any: (i) any Real Estate Leases or Personal Property Leases, (ii) Encumbrances existing on the date hereof which will be discharged at Closing, (iii) Encumbrances incurred and pledges and deposits made in the ordinary course of business in connection with obligations for workers’ compensation, unemployment insurance, old-age pensions and other social security benefits, (iv) Encumbrance for Taxes or other governmental charges or assessments not yet due and payable as of the Closing Date, or being contested in good faith, (v) Encumbrance of any landlord, carrier, warehouseman, workmen, repairmen, mechanic or materialman and other like encumbrance arising in the ordinary course of business, or deposits to obtain the release of such Encumbrances, (vi) Encumbrances for which either title insurance coverage or bonding reasonably satisfactory to Prime Healthcare has been obtained, (vii) standard printed exceptions customarily set forth in title reports or title policies, (viii) zoning restrictions, recorded easements, licenses, rights of way, declarations, reservations, provision, covenants, conditions, waivers, restrictions on the use of property or other Encumbrances that, individually or in the aggregate, do not materially impair the marketability of title to the Real Property or the use of the Real Property in the operation of the Business by DCHS as currently operated, (ix) such imperfections in titles that, individually or in the aggregate, do not materially impair the marketability of title to the Real Property or the use of the Real Property in the operation of the Business by DCHS as currently operated, (x) Laws regulating the use or enjoyment of the applicable property, (xi) restrictions on transfer of securities imposed by any applicable Law; (xii) Encumbrances created, suffered or approved by or through Prime Healthcare; (xiii) Encumbrances on Intellectual Property; (xiv) Encumbrances and other matters set forth or referenced on or in any one or more of the Title Documents that, individually or in the aggregate, do not materially impair the marketability of title to the Real Property or the use of the Real Property in the operation of the Business by DCHS as currently operated, and (xv) extensions renewals and replacements of Encumbrances referred to in (i) through (xiv) of this sentence.

“Person” means any individual or any corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, Governmental Entity or other entity of any kind.

“Personal Property Leases” means all of the interests of DCHS as lessee, in and to each lease, sublease, License or other contractual obligation under which the Personal Property is used by DCHS exclusively with respect to the operation of the Hospitals.

“PHF” has the meaning given it in the introductory paragraph.

“Philanthropic Foundations” means each of O’Connor Hospital Foundation, Saint Louis Regional Hospital Foundation, St. Francis Medical Center Foundation, St. Vincent Medical Center Foundation and Seton Medical Center Foundation.

“Post-Closing Representation” has the meaning given it in Section 13.17.

“Pre-Closing Representation” has the meaning given it in Section 13.17.

“Prime Healthcare” has the meaning given it in the introductory paragraph.

“Prime Healthcare Notice” has the meaning given it in Section 3.4(d).

“Prior Company Counsel” has the meaning given it in Section 13.17.

“Public Taking” has the meaning given it in Section 4.10(d).

“Purchase Price” has the meaning given it in Section 2.3.

“Real Estate Leases” has the meaning given it in Section 4.10(c).

“Real Property” has the meaning given it in Section 4.10(a).

“Records” means all files, data, documents, records, correspondence, work papers, operating manuals and other documents including without limitation employee records, financial records, equipment records, construction plans and specifications, patient records, medical records and medical and administrative libraries, medical staff, peer review and physician credentialing records and files, and on-site regulatory compliance records, including in each case electronically stored files, data, documents and records.

“Related Marks” is defined in Section 2.2(a).

“Related Names” is defined in Section 2.2(a).

“Released Parties” has the meaning given it in Section 3.5(c).

“Retained Assets” has the meaning given it in Section 2.2.

“Retained Marks” is defined in Section 2.2(a).

“Retained Records” means all Records relating to the Retained Assets.

“RPHE” means the Retirement Plan for Hospital Employees, as Amended and Restated Effective January 1, 2012 and as further amended.

“Sacred Object” has the meaning given it in **Schedule 1.1(e)**.

“Schedule Supplement” has the meaning given it in Section 6.6.

“Senior Leaders” has the meaning given it in Section 7.3.

“*Surveys*” has the meaning given it in Section 4.10(g).

“*Tax Return*” means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“*Taxes*” or “*Tax*” means, collectively, federal, state and local income, payroll, withholding, excise, sales, use, real and personal property, use and occupancy, business and occupation, mercantile, real estate, capital stock and franchise or other taxes, including penalties and interest thereon and estimated taxes.

“*Title Commitments*” has the meaning given it in Section 4.10(g).

“*Title Company*” means First American Title Insurance Company – NCS Ontario.

“*Title Documents*” has the meaning given it in Section 4.10(g).

“*Title Policy*” has the meaning given it in Section 9.6.

“*Transaction*” has the meaning given it in Section 2.1.

“*Transfer Taxes*” has the meaning given it in Section 7.2.

“*Underlying Title Documents*” has the meaning given it in Section 4.10(g).

ARTICLE 2 TRANSACTION; CONSIDERATION

2.1 Form of Transaction.

(a) Subject to the terms and conditions set forth herein, at Closing, the transaction shall be effected by: (i) DOCMSC and DCHS approving amended and restated Articles of Incorporation and Bylaws of each of DCHS and those DCHS Affiliates listed on **Schedule 3.3(h)** in order to designate Prime Healthcare as the sole corporate member of DCHS; (ii) convert DCHS and such DCHS Affiliates into California business corporations by filing such amended and restated Articles of Incorporation of each of DCHS and such DCHS Affiliates with the California Secretary of State (with the approval of the California Attorney General) and issuing the resulting shares to Prime Healthcare; and (iii) effect the membership substitutions of certain DCHS Affiliates to PHF as described in Section 2.1(b) (collectively, the “*Transaction*”).

(b) Subject to the terms and conditions set forth herein, at Closing, DCHS shall: (i) approve amended and restated Articles of Incorporation and Bylaws of those DCHS Affiliates identified below in order to designate PHF as the sole corporate member of such DCHS Affiliates (St. Vincent Medical Center, DCHS Medical Foundation, and, to the extent not prohibited by the California Attorney General Approval, the Philanthropic Foundations); and (ii) convert such DCHS Affiliates into nonprofit public benefit corporations (if they are nonprofit religious corporations) by filing such amended and restated Articles of Incorporation of each

such DCHS Affiliate with the California Secretary of State (with the approval of the California Attorney General).

2.2 Retained Assets. Notwithstanding anything to the contrary in Section 2.1, prior to the Closing, DCHS shall assign, transfer, convey and distribute to DOCMSC the following assets (collectively, the “*Retained Assets*”):

(a) all trademarks, domain names and website content listed on **Schedule 2.2(a)**, and any other trademark or domain name that contains, uses or references the name “Daughters,” “Daughters of Charity,” “Daughters of Charity Health System,” “DCHS,” “DOCHS,” “DCHS Medical Foundation,” or any such similar name (the “*DCHS Names*”; together with any abbreviations, variations, logos or symbols associated or used in connection with the DCHS Names or Retained Assets, the “*DCHS Marks*”), and any trademark or domain name that contains, uses or references the name of a Person belonging to or affiliated with DCHS (the “*Related Names*”; together with any abbreviations, variations, logos or symbols associated or used in connection with the Related Names, the “*Related Marks*”). The DCHS Marks and the Related Marks are collectively, the “*Retained Marks*”;

(b) subject to Prime Healthcare’s rights under Section 12.2, the Retained Records;

(c) any religious artifacts, including any Sacred Object, and the assets and donor-restricted assets listed on **Schedule 2.2(c)**;

(d) the Lease Agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and DCHS dated October 1, 2001 for the building at 26000 Altamont Road, Los Altos Hills, California; and

(e) any asset or contract listed on **Schedule 2.2(e)**.

2.3 Consideration. Subject to the terms and conditions of this Agreement, the aggregate consideration for the Transaction shall consist of the Cash Purchase Price and the assumption of the Assumed Liabilities (the “*Purchase Price*”).

2.4 Closing Date Payments. At the Closing, Prime Healthcare shall deliver to DCHS by wire transfer of immediately available funds to the account designated by DCHS on **Schedule 2.4(i)** an aggregate amount of cash equal to the sum of the liabilities set forth on **Schedule 2.4(ii)** (the “*Cash Purchase Price*”) to include, at a minimum:

(a) the Bonds, including the 2014 Bonds, in a manner and amount sufficient to redeem, prepay or defease the Bonds as of the Effective Time in full to their first optional call date in accordance with their governing documents and all fees and expenses related to the redemption, prepayment or defeasance and the establishment of the necessary escrows, the release of all security including the Deeds of Trust, the discharge of the Master Indenture and each related trust indenture to each series of Bonds, including the 2014 Bonds, and all other matters incident thereto;

(b) the accrued paid-time off of any DCHS Employee who is terminated as of the Closing Date;

(c) the amount of any distributions from the nonqualified retirement benefit plans due under both the Daughters of Charity Health System 401(a)(17) Retirement Plan and the Daughters of Charity Health System 401(a)(17) Supplemental Retirement Plan Account as of the Closing Date to DCHS Employees entitled to benefits under such plans as set forth on **Schedule 2.4(e)** to the extent not paid by DHCS prior to the Closing Date;

(d) the Transfer Taxes; and

(e) the transaction costs set forth on **Schedule 2.4(e)**.

2.5 Holdback Amount. At the Closing, Prime Healthcare shall permit DOCMSC to retain funds from DCHS' available cash (or deposit funds with DOCMSC if available funds are insufficient) in a segregated deposit account controlled by DOCMSC in an amount equal to Eleven Million Five Hundred Thousand Dollars (\$11,500,000), *less* the amount of severance paid to those DCHS employees who do not continue their employment with Prime Healthcare as of the Effective Time, and *less* the amount of severance pay that would have been owed to those Senior Leaders and any Continuing Employees who execute new written employment agreements with Prime Healthcare as of the Effective Time (the "*Holdback Amount*"). DOCMSC shall hold and dispose of the Holdback Amount in accordance with Section 7.3(d).

2.6 Assumed Liabilities. Except with respect to any and all liabilities paid at Closing in accordance with Section 2.4, on the Closing Date, Prime Healthcare shall by operation of law assume and agree to pay (i) any and all of the liabilities of DCHS and its Affiliates related to the Business as more particularly described in the DCHS balance sheet (the "*Balance Sheet*"), an example of which is the unaudited May 31, 2014 balance sheet attached hereto as **Schedule 2.6**, and (ii) those liabilities not described, reflected or included in the Balance Sheet, including any and all off-balance sheet items (collectively, the "*Assumed Liabilities*"). For the avoidance of doubt, the Assumed Liabilities shall include any and all known and unknown liabilities and obligations of DCHS and its Affiliates as of the Closing Date, including, but not limited to, the: (i) pension liabilities; (ii) liabilities related to the Collective Bargaining Agreements; (iii) liabilities in respect of accrued but unpaid paid-time off, vacation, sick and other leaves of absence; (iv) taxes, including Transfer Taxes and any unpaid real estate Taxes; and (v) government payment program liabilities, if any, including any overpayments, and (vi) the following:

(a) accounts payable;

(b) short-term and long-term debt;

(c) amounts due to government agencies;

(d) accrued liabilities;

(e) incurred, but not yet recorded, liabilities;

(f) all of the health and welfare, paid time-off and retirement benefit plan liabilities of DCHS and any off-balance sheet pension liabilities of DCHS, including any liabilities arising under the Multiemployer Plans, the Defined Benefit Church Plan, the Defined Contribution Church Plans, any single-employer defined benefit plan to which the liabilities of DCHS under one or more of the Multiemployer Plans may be transferred as the result of the partition of one or more of the Multiemployer Plans.

(g) all of the contracts, operating and capital leases, Real Estate Leases, agreements and commitments relating to the ownership and operation of the Business, including the physician service agreements, the Collective Bargaining Agreements, and any continuing obligation imposed by Law to bargain with any union, all as described more particularly in **Schedule 2.6(g)** (the “*Contracts*”), including any liabilities arising from the results of any bargaining with the union;

(h) any liabilities arising out of or relating to any professional liability claim or similar third party litigation arising out of the operation of the Business prior to the Closing;

(i) any liabilities for a violation of any Law arising from acts or omissions occurring prior to the Closing related to the operation of the Business;

(j) any and all liabilities insured by Marillac Insurance Company, Ltd.; and

(k) any and all liabilities that arise under the D&O Insurance and the Fiduciary Liability Insurance, including, but not limited to, any and all deductibles, co-pays and any other non-covered expense or financial obligation under the D&O Insurance and the Fiduciary Liability Insurance.

2.7 Excluded Liabilities. Notwithstanding anything to the contrary in Section 2.6, Prime Healthcare shall not assume or become responsible for the liabilities directly related to any of the Retained Assets (collectively, the “*Excluded Liabilities*”).

2.8 LC Deposit.

(a) Concurrently with the execution of this Agreement, Prime Healthcare shall cause Wells Fargo Bank, N.A. (the “*Bank*”) to issue the Bank’s irrevocable letter of credit (but subject to terms contained in this Section 2.8) in favor of DCHS as beneficiary in the amount of Forty Million Dollars (\$40,000,000) (the “*LC Deposit*”) in substantially the form attached hereto as **Exhibit B** (the “*Letter of Credit*”).

(b) If Prime Healthcare chooses to terminate this Agreement on its own volition for any reason not otherwise covered by this Section 2.8, including terminating this Agreement following obtaining California Attorney General Approval that contains Acceptable AG Conditions, then DCHS shall be entitled to draw on the Bank one hundred percent (100%) of the LC Deposit. This Section 2.8(b) shall be DCHS’ sole remedy hereunder, and the receipt of such funds will be deemed to be liquidated damages to DCHS.

(c) If DCHS chooses to terminate this Agreement on its own volition for any reason not otherwise covered by this Section 2.8, then DCHS shall pay to Prime Healthcare a

termination fee in the amount of Twenty Million Dollars (\$20,000,000), and Prime Healthcare shall be entitled to cause the Bank to cancel the Letter of Credit. Notwithstanding the foregoing, the foregoing termination fee shall be waived (and a Material Adverse Effect shall not have occurred) if: (i) DCHS files a voluntary petition for relief under Title 11 of the United States Code in the United States Bankruptcy Court (the “*Court*”) for the Northern (or Central) District of California; (ii) the Court approves Prime Healthcare (who hereby agrees) to serve as the “*stalking horse*” purchaser as part of any such bankruptcy proceeding within one hundred twenty (120) days of the initial filing date of the voluntary petition, and (iii) the Court approves bidding procedures for any subsequent auction of DCHS’ assets and operations that are usual, customary and reasonably acceptable to both Prime Healthcare and DCHS (including the approval of a break-up fee in the amount of the termination fee described in the preceding sentence). This Section 2.8(c) shall be Prime Healthcare’s sole remedy hereunder, and the receipt of such funds will be deemed to be liquidated damages to Prime Healthcare.

(d) If this Agreement is terminated pursuant to Section 10.1(a), Section 10.1(c) for DCHS’ failure to satisfy Sections 9.1, 9.2, 9.6, 9.7 or 9.8 or if DCHS’ fails to satisfy Section 8.6, then Prime Healthcare shall be entitled to cause the Bank to cancel the Letter of Credit.

(e) Subject to Section 2.8(f), if this Agreement is terminated by either party pursuant to Section 10.1(b), then DCHS shall be entitled to draw Five Million Dollars (\$5,000,000) from the LC Deposit, and Prime Healthcare shall be entitled to cause the Bank to cancel the remainder of the Letter of Credit.

(f) If this Agreement is terminated by DCHS pursuant to Section 10.1(b) and Church Approval has not been received, then Prime Healthcare shall be entitled to cause the Bank to cancel the Letter of Credit, and DCHS will not be entitled to any draw under Section 2.8(e).

(g) If this Agreement is terminated by either party pursuant to Section 10.1(e), then DCHS shall be entitled to draw Five Million Dollars (\$5,000,000) from the LC Deposit, and Prime Healthcare shall be entitled to cause the Bank to cancel the remainder of the Letter of Credit.

(h) Subject to Section 2.8(i), if this Agreement is terminated pursuant to Section 10.1(d) for Prime Healthcare’s failure to satisfy Sections 8.1, 8.2, 8.5 (with respect to a filing or notice required pursuant to the HSR Act only) or 8.8, then DCHS shall be entitled to draw on the Bank one hundred percent (100%) of the LC Deposit.

(i) If this Agreement is terminated because of Prime Healthcare’s failure to satisfy Section 5.6, then DCHS shall be entitled to draw on the Bank one hundred percent (100%) of the LC Deposit.

(j) In the event the Closing occurs, Prime Healthcare shall be entitled to cause the Bank to cancel the Letter of Credit.

(k) This Section 2.8 shall survive termination of the Agreement.

ARTICLE 3 CLOSING

3.1 Closing. Subject to the satisfaction or waiver by the appropriate party of all the conditions precedent to Closing specified in ARTICLE 8 and ARTICLE 9, the closing of the Transaction under this Agreement (the “*Closing*”) will take place at the local office of DCHS’ legal counsel (or such other place as the parties may mutually agree) on the seventh Business Day following the satisfaction or written waiver of the last of the conditions precedent to Closing as specified in ARTICLE 8 and ARTICLE 9 to be satisfied prior to Closing (that can be satisfied prior to Closing), or such earlier or later date as the parties may mutually agree (the “*Closing Date*”). The parties agree that the Transaction shall be calculated and made effective as of 12:01 a.m., Pacific Time, on the Closing Date (the “*Effective Time*”).

3.2 Actions of Prime Healthcare at Closing. At Closing, or unless otherwise waived by DCHS in writing, Prime Healthcare will deliver to DCHS the following:

(a) copies of resolutions duly adopted by the Board of Directors of Prime Healthcare and PHF authorizing and approving Prime Healthcare’s and PHF’s respective performance of the Transaction contemplated hereby and the execution and delivery of this Agreement and other documents described herein, and Prime Healthcare’s and PHF’s respective performance of its obligations hereunder and thereunder, each certified as true, complete and in full force and effect as of the Closing Date by appropriate officers of Prime Healthcare or PHF, as the case may be;

(b) a certificate of a duly authorized officer of Prime Healthcare and PHF certifying that each covenant and agreement of Prime Healthcare and PHF, respectively, to be performed prior to or as of Closing pursuant to this Agreement has been performed in all material respects;

(c) a certificate of incumbency of the officers of Prime Healthcare and PHF executing this Agreement and the other documents described herein, dated as of the Closing Date;

(d) a certificate of existence and good standing of Prime Healthcare and PHF from the State of California, dated the most recent practical date prior to the Closing Date;

(e) a certificate of a duly authorized officer of Prime Healthcare certifying that the representations and warranties of Prime Healthcare set forth in this Agreement are true and correct in all material respects as of the Closing Date; and

(f) such other and further instruments and documents as may be reasonably required to consummate the Transaction herein contemplated in accordance with the terms and conditions hereof.

3.3 Actions of DCHS at Closing. At Closing, or unless otherwise stated herein or waived by Prime Healthcare in writing, DCHS will deliver to Prime Healthcare the following:

(a) copies of resolutions duly adopted by the Board of Directors of DCHS and DOCMSC authorizing and approving DCHS’ and DOCMSC’s respective performance of the

Transaction contemplated hereby and the execution and delivery of this Agreement and other documents described herein, and DCHS' and DOCMSC's respective performance of their obligations hereunder and thereunder, each certified as true, complete and in full force and effect as of the Closing Date by appropriate officers of DCHS or DOCMSC, as the case may be;

(b) a certificate of a duly authorized officer of DCHS certifying that each covenant and agreement of DCHS to be performed prior to or as of Closing pursuant to this Agreement has been performed in all material respects;

(c) a certificate of incumbency of the officers of DCHS executing this Agreement and other documents described herein, dated as of the Closing Date;

(d) a certificate of existence and good standing of DCHS from the State of California, dated the most recent practical date prior to the Closing Date;

(e) a certificate of a duly authorized officer of DCHS and DCHS certifying that the representations and warranties of DCHS, as applicable set forth in this Agreement are true and correct in all material respects as of the Closing Date;

(f) an assignment and assumption agreement, in such form as may be reasonably acceptable to Prime Healthcare, fully executed by DOCMSC and DCHS, pursuant to which DCHS transfers the Retained Assets to DOCMSC;

(g) copies of Amended and Restated Articles of Incorporation and Bylaws of DCHS, duly adopted by the Board of Directors of DOCMSC and DCHS, converting DCHS from a California nonprofit religious corporation into California for profit corporation, including evidence from the California Secretary of State of such Amended and Restated Articles of Incorporation filings effective as of the Effective Time;

(h) copies of Amended and Restated Articles of Incorporation and Bylaws for those DCHS Affiliates listed on **Schedule 3.3(h)**, duly adopted by the Board of Directors of DCHS, that either need to be converted from (i) California nonprofit religious corporations into California nonprofit public benefit corporations, (ii) California nonprofit religious corporations into California for profit corporations, or (iii) California nonprofit public benefit corporations into California for profit corporations, including evidence from the California Secretary of State of such Amended and Restated Articles of Incorporation filings effective as of the Effective Time; and

(i) such other further instruments and documents as may be reasonably required to consummate the Transaction herein contemplated in accordance with the terms and conditions hereof.

3.4 Casualty Loss.

(a) If any material part or portion of the Business is damaged, condemned, lost or destroyed (whether by fire, theft or other casualty event) prior to the Effective Time, DCHS shall notify Prime Healthcare ("*Casualty Notice*") as soon as reasonably practicable of such damage, loss or destruction. The Casualty Notice shall set forth DCHS's good faith,

reasonable estimate (the “*Estimate*”) of the fair market value of the cost to repair, replace or restore (as applicable) such damage, loss or destruction, net of any insurance proceeds due to DCHS for such loss (the “*Aggregate Damage*”).

(b) If there is damage, loss or destruction to the Business and the Estimate of the cost to repair, replace or restore (as applicable) such damage, loss or destruction is greater than Thirty-Five Million Dollars (\$35,000,000), net of any insurance proceeds due DCHS for such loss (a “*Material Loss*”), then Prime Healthcare may, within ten (10) Business Days after receipt of the Casualty Notice, by written notice to DCHS, terminate this Agreement. The failure of Prime Healthcare to so elect in writing to terminate this Agreement within such ten (10) Business Day period shall be deemed an election not to terminate this Agreement.

(c) If the Agreement is terminated pursuant to Section 3.4(b), then the LC Deposit shall be returned to Prime Healthcare. Thereafter, this Agreement shall terminate and neither party to this Agreement shall have any further rights or obligations hereunder, other than any arising under any section herein which expressly provides that it shall survive the termination of this Agreement.

(d) If the Estimate is less than a Material Loss and Prime Healthcare objects to the Estimate, then Prime Healthcare shall notify DCHS of such objection (the “*Prime Healthcare Notice*”) within ten (10) Business Days after receipt of the Casualty Notice. The Prime Healthcare Notice shall indicate whether Prime Healthcare objects to the Estimate and whether Prime Healthcare believes that the value of the Aggregate Damage is in excess of a Material Loss. If the parties are unable to resolve their disagreement concerning the value of the Aggregate Damage within five (5) Business Days after DCHS’ receipt of the Prime Healthcare Notice, then they shall promptly agree upon an independent valuation consultant (the “*Loss Consultant*”) who shall, as promptly as possible, determine the Aggregate Damage and confirm in writing either that the Aggregate Damage is less than a Material Loss or exceeds a Material Loss. If the Loss Consultant’s report indicates a Material Loss, then Prime Healthcare may submit a termination notice within ten (10) Business Days after the receipt of the Loss Consultant’s report. The failure of Prime Healthcare to so elect in writing to terminate this Agreement within such ten (10) Business Day period shall be deemed an election not to terminate this Agreement. The Loss Consultant’s determination shall be final and binding on the parties. The fees and costs of the Loss Consultant shall be shared equally by Prime Healthcare and DCHS.

(e) If, prior to the Effective Time, any part or portion of the Business is destroyed, lost or damaged, (i) to an extent that does not result in a Material Loss, or (ii) to an extent that would be a Material Loss and Prime Healthcare fails to terminate this Agreement, then the parties shall consummate the Transaction contemplated in this Agreement, subject to the other terms and conditions of this Agreement, and, at the Effective Time, DCHS shall deliver possession of the Business to Prime Healthcare in such physical condition as the same may then exist.

3.5 Disclaimer of Warranties; Release.

(a) Except as expressly provided in this Agreement, neither DCHS nor its Affiliates have made or do make, and DCHS and its Affiliates specifically disclaim, any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to (i) the nature, quality, sufficiency or condition of the Business; (ii) the income to be derived from the Business; or (iii) the compliance of or by the Business with any Law. The assets comprising the Business will be acquired by Prime Healthcare in their physical condition on the Closing Date, “AS IS,” “WHERE IS” AND “WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS,” THAT IS, IN THEIR PRESENT CONDITION AND WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY KIND, WITH NO WARRANTIES OF NONINFRINGEMENT AND WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION with respect to the Real Property, including, without limitation, the land, the buildings and the improvements and fixtures thereon, and WITH NO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE with respect to the physical condition of the Real Property, any personal property or any inventory, any and all of which warranties (both express and implied) DCHS for itself and each of its Affiliates hereby disclaims. All of the Real Property and personal property shall be further subject to wear and tear and use of the inventory and other supplies in the ordinary course of business on and before the Closing Date.

(b) Prime Healthcare acknowledges, covenants and agrees, on behalf of itself and its Affiliates: (i) that it has completed to its satisfaction its own due diligence investigation, and based thereon, formed its own independent judgment with respect to the Business and any and all of the Assumed Liabilities; (ii) that it has been furnished with or given full access to such documents and information about the Business, its assets, liabilities and operations as it and its representatives and advisors have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement and the Transaction; (iii) that in entering into this Agreement, it has relied solely upon its own investigation and analysis and the representations, warranties, covenants and agreements set forth in this Agreement; and (iv) that (A) no representation or warranty has been or is being made by DCHS or any other Person as to the accuracy or completeness of any of the information provided or made available to Prime Healthcare except as expressly set forth in ARTICLE 4, and (B) there are uncertainties inherent in attempting to make estimates, projections, forecasts, plans, budgets and similar materials and information, Prime Healthcare is familiar with such uncertainties, Prime Healthcare is taking full responsibility for making its own evaluations of the adequacy and accuracy of any and all estimates, projections, forecasts, plans, budgets and other similar materials or information that may have been delivered or made available to it or any of its respective agents or representatives, Prime Healthcare has relied or will rely on such information, and Prime Healthcare will not assert, and will cause its Affiliates not to assert, any claims against DCHS or any of their Affiliates or Released Parties with respect thereto.

(c) PRIME HEALTHCARE AND ITS AFFILIATES HEREBY (i) WAIVE AND RELEASE THE DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS AND ASSIGNS OF DCHS AND ITS AFFILIATES (COLLECTIVELY, THE “*RELEASED PARTIES*”) FROM ALL

RESPONSIBILITY, CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COURT COSTS) OF EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN (COLLECTIVELY, "LOSSES"), THAT PRIME HEALTHCARE MIGHT HAVE ASSERTED OR ALLEGED AGAINST ANY RELEASED PARTY BY REASON OF OR ARISING OUT OF ANY ACT OR OMISSION OF SUCH RELEASED PARTY PRIOR TO THE CLOSING DATE CONCERNING THE BUSINESS OR THE ASSETS OR ASSUMED LIABILITIES TRANSFERRED TO PRIME HEALTHCARE PURSUANT TO THE TRANSACTION (EXCLUSIVE OF ACTS OR OMISSIONS OF THE RELEASED PARTY RELATED TO THE TRANSACTION THAT WOULD CONSTITUTE ACTUAL FRAUD ENGAGED IN BY SUCH RELEASED PARTY); AND (ii) AGREE TO INDEMNIFY, DEFEND AND HOLD HARMLESS A RELEASED PARTY FROM ANY AND ALL LOSSES THAT ARE ASSERTED OR ALLEGED AGAINST A RELEASED PARTY ARISING OUT OF EVENTS, CONTRACTUAL OBLIGATIONS, ACTS OR OMISSIONS OF A RELEASED PARTY THAT OCCURRED IN CONNECTION WITH THE OWNERSHIP OR OPERATION OF THE BUSINESS PRIOR TO THE CLOSING DATE (EXCLUSIVE OF ACTS OR OMISSIONS OF THE RELEASED PARTY RELATED TO THE TRANSACTION THAT WOULD CONSTITUTE ACTUAL FRAUD ENGAGED IN BY SUCH RELEASED PARTY). In connection with the foregoing waiver and release, Prime Healthcare expressly waives any and all rights it may have against the Released Parties under Section 1542 of the California Civil Code ("*Section 1542*"), and Prime Healthcare acknowledges that it may not invoke the benefits of Section 1542 against the Released Parties in order to prosecute or assert in any manner any claims released by this Section 3.5(c). Prime Healthcare is aware that Section 1542 provides as follows: "[a] general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF DCHS

Except as set forth in the disclosure schedules delivered by DCHS to Prime Healthcare in accordance with the terms of this ARTICLE 4, including any documents attached to or incorporated by reference in such disclosure schedules (the "*Disclosure Schedules*"), DCHS hereby represents and warrants to Prime Healthcare that the statements contained in this ARTICLE 4 are true and correct as of the date hereof, except to the extent that any such representation and warranty expressly relates to any other specified date or time (including those that speak only as to the date hereof).

4.1 Existence and Corporate Capacity. DCHS is a nonprofit religious corporation which is duly organized, validly existing, in good standing, and authorized to transact business in the State of California. DCHS and DOCMSC have the requisite power and authority to enter into this Agreement, perform its obligations hereunder and to conduct its activities as now being conducted. DCHS and its Affiliates are each duly organized, validly existing and in good standing under the laws of the state or jurisdiction of organization, and DCHS and its Affiliates each have the power and authority to conduct their respective activities as now being conducted.

4.2 Powers; Consents; Absence of Conflicts with Other Agreements. The execution, delivery and performance of this Agreement by DCHS and DOCMSC and all other agreements referenced herein or ancillary hereto to which DCHS and DOCMSC are a party and the consummation of the transactions contemplated herein by DCHS and DOCMSC: (a) are within its corporate powers, are not in contravention of Law or of its governing documents, or any amendments thereto and have been duly authorized by all necessary corporate action; (b) do not require any approval or consent of, or filing with, any Governmental Entity or authority bearing on the validity of this Agreement except as set forth on **Schedule 4.2** or as may be required under the HSR Act and any other applicable antitrust Laws; (c) subject to any required consent or waiver, will neither conflict with nor result in any material breach or contravention of, nor permit the acceleration of the maturity of the Contracts, except as would not result in a Material Adverse Effect; (d) will not violate any statute, Law, rule or regulation of any Governmental Entity to which DCHS is subject; and (e) will not violate any judgment of any court or Governmental Entity to which DCHS is subject.

4.3 Binding Agreement. Assuming the due execution and delivery of this Agreement by Prime Healthcare and PHF, this Agreement constitutes the valid and legally binding obligation of DCHS and DOCMSC, and is enforceable against DCHS and DOCMSC in accordance with its terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity (collectively, the "*Enforceability Exceptions*").

4.4 Financial Statements. DCHS has delivered to Prime Healthcare copies of the following financial statements of the Business on an accrual-basis (**Schedule 4.4**) (the "*Financial Statements*"): (a) unaudited balance sheet dated as of May 31, 2014 (the "*Balance Sheet Date*"); (b) unaudited income statement for the twelve month period ending on the Balance Sheet Date; and (c) audited consolidated balance sheet and income statement for the fiscal year of DCHS ended on June 30, 2013 and June 30, 2012, respectively. Such unaudited Financial Statements materially conform to GAAP practices in the United States, consistently applied, except as to the absence of footnotes and normal audit adjustments and as otherwise may be set forth in **Schedule 4.4** ("*GAAP Exceptions*"). The Financial Statements are complete and present fairly in all material respects the financial position of DCHS and its Affiliates and the results of their operations, changes in net assets and cash flows at the dates and for the periods indicated, in conformity with GAAP applied consistently for the periods specified (with the exception of any GAAP Exceptions).

4.5 Licenses. DCHS and the Hospitals have all Licenses and Permits from any Governmental Entity which are required by Law to operate the Business other than such Licenses and Permits the absence of which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect. DCHS has delivered to Prime Healthcare a list (**Schedule 4.5**) of all known material Licenses and Permits owned or held by DCHS and the Hospitals relating to the ownership, development for operations of the Business.

4.6 Medicare and Medi-Cal Participation. The Hospitals are qualified for participation in the Medicare and Medi-Cal programs, have current and valid provider contracts

with the Medicare and Medi-Cal programs, are in compliance with the conditions of participation in such programs, except for instances of noncompliance that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect. Since January 1, 2012, except as may be disclosed in **Schedule 4.6**, neither DCHS nor any of its Affiliates have received any written notice from either the Medicare or Medi-Cal programs of any pending or threatened investigations or surveys. DCHS has provided to Prime Healthcare complete and correct copies of the Hospitals' Medicare cost reports for the Hospitals' fiscal year ended on June 30, 2013.

4.7 Compliance with Laws.

(a) DCHS and its Affiliates are in material compliance with all applicable Laws, including the Health Care Laws, except for instances of noncompliance that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

(b) To the Knowledge of DCHS, no action is pending or threatened or recommended by any Governmental Entity to terminate or decertify any participation of any Hospital in the Medicare, Medicaid or any other third party payor programs nor has there been any decision not to renew any provider agreement related to any Hospital except as set forth on **Schedule 4.7(b)**. With the exception of deficiencies that are currently the subject of waiver and those of which are the subject of a plan of correction (each set forth on **Schedule 4.7(b)**), there are no material outstanding written notices of deficiencies or written notices of work orders of a material nature of any Governmental Entity having jurisdiction over any Hospital, including the Medicare and Medi-Cal programs.

(c) To the Knowledge of DCHS, all billing practices of each Hospital with respect to the Business to all third party payors, including the Medicare and Medi-Cal programs and private insurance companies, are in compliance in all material respects with all applicable laws, regulations and policies of such third party payors and the Medicare and Medi-Cal programs. No Hospital has been excluded from participation in the Medicare or Medicaid program nor is any such exclusion threatened. To the Knowledge of DCHS, no employee or independent contractor of DCHS or the Hospitals (whether an individual or entity) has been excluded from participating in any federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)) except as set forth on **Schedule 4.7(c)**. To the Knowledge of DCHS, none of the officers, directors or managing employees (as such term is defined in the Medicare Program Integrity Manual) of DCHS has been excluded from participation in the Medicare or Medicaid programs or been subject to sanction pursuant to 42 U.S.C. § 1320a-7a or 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b.

(d) To the Knowledge of DCHS, none of the officers, directors or managing employees (as such term is defined in the Medicare Program Integrity Manual) of DCHS is now or has in the past been subject to or bound by a corporate integrity agreement with the United States Department of Health and Human Services Office of the Inspector General or other similar agreement (*e.g.*, deferred prosecution agreement) with any Governmental Entity.

4.8 Contracts. DCHS has delivered to Prime Healthcare an accurate list of (a) all Contracts providing for annual payments in excess of One Hundred Thousand Dollars (\$100,000) which affect the Business or the operation thereof, to which DCHS (or one of its Affiliates) is bound, (b) all Contracts between DCHS (or one of its Affiliates) and a person or entity in a position to make or influence referrals to the Hospital, and (c) all Collective Bargaining Agreements and contracts with labor unions to which DCHS or any of its Affiliates are bound. To DCHS' Knowledge, DCHS has provided Prime Healthcare with complete and correct copies of all such contracts, together with all amendments and modifications.

4.9 Environmental Matters.

(a) DCHS has provided Prime Healthcare with the Phase I Environmental Site Assessments for the Real Property (the "Environmental Survey").

(b) Except as disclosed on **Schedule 4.9(b)**, to the Knowledge of DCHS the operations of the Business are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or other Governmental Entity.

(c) There are no pending or, to the Knowledge of DCHS, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Entity directed against DCHS (or one of its Affiliates) that pertain or relate to (i) any material remedial obligations under any applicable Environmental Laws, (ii) material violations by DCHS (or one of its Affiliates) of any Environmental Laws, or (iii) material personal injury or property damage claims relating to a release of or exposure to Hazardous Materials.

4.10 Real Property.

(a) **Schedule 4.10(a)** sets forth a list of all of the real property that is owned by DCHS and its Affiliates, including, without limitation, the real property that is used with respect to the operation of the Business, together with all buildings, improvements and fixtures located thereupon, including, without limitation, all buildings and other improvements then under construction (the "*Real Property*"). Except as set forth on **Schedule 4.10(a)**, DCHS and its Affiliates now own fee simple title to all of the Real Property free and clear of any and all Encumbrances other than the Permitted Exceptions.

(b) Except as set forth on **Schedule 4.10(b)**, DCHS has not received any written notice and, to DCHS' Knowledge, there are no proceedings or actions pending to change the zoning of, or other land use (including parking) restrictions affecting, the Real Property. DCHS has not received any written notice of any proceeding pending before any Governmental Entity relating to the Real Property and, to DCHS' Knowledge, there is no study or investigation pending or threatened by any Governmental Entity relating to the Real Property.

(c) **Schedule 4.10(c)** sets forth an accurate and complete list of all real property leases, subleases, licenses and occupancy agreements, options or commitments, oral or written, pursuant to which either DCHS or its Affiliates is a licensor, licensee, lessor, lessee, sublessor, or sublessee, including, without limitation, all retail and office space leases, specifying

the interest of DCHS or its Affiliates, but excluding any real property lease consummated as part of the transactions contemplated herein and the Lease Agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and DCHS dated October 1, 2001 for the building at 26000 Altamont Road, Los Altos Hills, California (collectively referred to as the “*Real Estate Leases*”). DCHS has provided Prime Healthcare with complete and correct copies of all Real Estate Leases, together with all amendments and modifications.

(d) Each Real Estate Lease is a legal, valid, binding, obligation of DCHS or its Affiliate, enforceable against either DCHS or its Affiliate, as applicable, in accordance with its terms. Each Real Estate Lease is the legal, valid and binding obligation of the other party thereto, enforceable against such other party in accordance with its terms. Each Real Estate Lease is in full force and effect. To the Knowledge of DCHS, no event or condition has occurred that with the passage of time or the giving of notice (or both) would constitute a material default or breach of the terms of any Real Estate Lease.

(e) Neither the whole nor any portion of the Real Property has been condemned, requisitioned or otherwise taken by any public authority (a “*Public Taking*”), and no written notice of any Public Taking has been received by DCHS with regard to any portion of the Real Property. No public improvements have been ordered to be made that have not heretofore been assessed, and no special, general or other assessments are pending or, to DCHS’ Knowledge, have been threatened against or will affect the Real Property.

(f) Except as disclosed on **Schedule 4.10(f)**, DCHS has not received any written notice and DCHS has no Knowledge of any unsatisfied requests for repairs, restorations, or improvements to the Real Property from any Governmental Entity or insurance company or provider.

(g) DCHS has delivered to Prime Healthcare, at DCHS’ own expense, (i) the preliminary title reports for the Real Property issued by Chicago Title Company (the “*Title Commitments*”), (ii) the underlying title documents listed on the Title Commitments for the Real Property (the “*Underlying Title Documents*”), and (iii) the as-built ALTA surveys prepared by Mollenhauer Group or Bock & Clark for each Hospital (the “*Surveys*”, and collectively with the Title Commitment and the Underlying Title Documents, the “*Title Documents*”).

4.11 Litigation or Proceedings. DCHS has delivered to Prime Healthcare an accurate list and summary description (**Schedule 4.11**) of all material litigation or proceedings with respect to the Business to which DCHS is a party. Except as set forth on **Schedule 4.11**, there are no claims, actions, suits, proceedings or investigations pending, or to the Knowledge of DCHS, threatened against or affecting DCHS or any of its Affiliates with respect to the Business, at law or in equity, or before or by any Governmental Entity in which an adverse determination would have a Material Adverse Effect.

4.12 Medical Staff Matters. DCHS has delivered to Prime Healthcare true, correct and complete copies of the medical staff bylaws and rules and regulations of the medical staff of each Hospital. With regard to each medical staff, and except as set forth on **Schedule 4.12**, there are no pending or, to the Knowledge of DCHS, threatened disputes with applicants, staff members or health professional affiliates other than such disputes that occur in the ordinary course of

business. To the Knowledge of DCHS, no member of the medical staff of any Hospital is currently excluded from participation in any state or federal Medicare or Medicaid programs except as set forth on **Schedule 4.12**.

4.13 Tax Liabilities.

(a) DCHS is a corporation exempt from federal income taxation under Section 501(c)(3) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code, and is listed in the Official Catholic Directory pursuant to being included in the United States Conference of Catholic Bishops group exemption letter. DCHS is a corporation exempt from California state income taxation. Except as set forth on **Schedule 4.13(a)**, all Tax Returns required to be filed by or on behalf of, or with respect to DCHS have been duly and timely filed. All such Tax Returns were correct and complete in all material respects, and were filed or will be filed within the time and in the manner provided by applicable Law (including any valid extensions thereof), and Tax liabilities of DCHS, if any, shown thereon have been paid by DCHS.

(b) Except as set forth on **Schedule 4.13(b)**, DCHS has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor or other third party.

4.14 Employee Benefits.

(a) **Schedule 4.14(a)** contains a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of DCHS and its Affiliates, whether oral or written, which constitutes an Employee Pension Benefit Plan, (ii) each medical, health, disability, insurance or other plan or arrangement of DCHS and its Affiliates, whether oral or written, which constitutes an Employee Welfare Benefit Plan, and (iii) each other material employee benefit, bonus, incentive, deferred compensation, severance, change in control, fringe benefit, performance or retention plan, in each case, that is maintained, contributed to or provided by DCHS and its Affiliates and that covers any current or former officers, directors, employees, independent contractors or consultants of DCHS and its Affiliates (collectively, the “DCHS Plans”).

(b) DCHS has made available to the Prime Healthcare true, complete and correct copies of (i) each DCHS Plan (or, in the case of any unwritten DCHS Plan, a description thereof); (ii) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each DCHS Plan (if any such report was required); (iii) the most recent summary plan description for each DCHS Plan for which such summary plan description is required; and (iv) each trust agreement and group annuity contract relating to any DCHS Plan, if any.

(c) Except as otherwise provided on **Schedule 4.14(c)**, to the Knowledge of DCHS, DCHS does not have any direct or indirect, actual or contingent liability with respect to any DCHS Plan, other than to make payments for contributions, premiums or benefits when due in the ordinary course of business, all of which payments that are due having been made. The Hospitals are not subject to any Encumbrance under ERISA or the Code.

(d) All of the DCHS Plans have been administered in material compliance with ERISA and the Code, to the extent applicable. Notwithstanding the foregoing, in the event

that it is determined by an authoritative ruling by the Internal Revenue Service or Department of Labor, or a decision by a court of competent jurisdiction, that any of Defined Benefit Church Plan, Defined Contribution Church Plans or Employee Welfare Benefit Plans failed to qualify as a non-electing “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code, the failure of DCHS to maintain or administer such plan in accordance with provisions of ERISA and the Code not applicable to church plans shall not constitute a breach of this Section 4.14(d) or any other provision of the Agreement (including without limitation the last sentence of Section 4.14(c)).

(e) Except as otherwise provided on **Schedule 4.14(e)**, no DCHS Plan provides retiree medical or other retiree welfare benefits to any Person (other than health care continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or analogous state law).

4.15 Personnel.

(a) **Schedule 4.15(a)** sets forth a complete list (as of the date set forth therein and updated as of the Closing) of names, positions and current annual base salaries or base wage rates, paid bonuses (including retention bonuses), and the accrued paid time off pay of all employees of DCHS and its Affiliates shortly prior to the Effective Date, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to DCHS’ policies, the Family and Medical Leave Act of 1993 or other similar Laws (the “*DCHS Employees*”). **Schedule 4.15(a)** also indicates whether each such DCHS Employee is a part-time or full-time employee. DCHS shall update **Schedule 4.15(a)** to reflect changes in employment status and/or new hires and terminations occurring after the Effective Date by providing a revised schedule to Prime Healthcare no later than five (5) Business Days before the date scheduled for Closing.

(b) Except as listed in **Schedule 4.15(b)**, there is no unfair labor practice complaint against DCHS pending, or to the Knowledge of DCHS threatened, before the National Labor Relations Board with respect to the operation of the Hospitals that would have a Material Adverse Effect, and there is no labor strike, arbitration, dispute, slowdown or stoppage, and no union organizing campaign, pending or, to the Knowledge of DCHS, threatened, by or involving the DCHS Employees, that would have a Material Adverse Effect.

(c) Except as provided in **Schedule 4.15(c)**, to the Knowledge of DCHS, since January 1, 2012 (i) DCHS and its Affiliates have substantially complied with all applicable Laws relating to employee health and safety in all material respects, and (ii) neither DCHS nor any of its Affiliates have received any written notice from any Governmental Entity that past or present conditions of the Hospitals violate any applicable Laws or otherwise will be made the basis of any claim, proceeding, or investigation based on violations of the Occupational Safety and Health Act of 1970 or otherwise related to employee health and safety.

4.16 Insurance. **Schedule 4.16** sets forth a list of all material insurance policies currently held by DCHS (or one of its Affiliates) with respect to the Business, as well as any self-insurance trust or captive insurance companies (the “*Insurance Policies*”). To the Knowledge of DCHS, DCHS and its Affiliates are in material compliance with the terms of the

Insurance Policies, and such Insurance Policies are in full force and effect. Except as set forth on **Schedule 4.16**, to DCHS' Knowledge, neither DCHS nor any of its Affiliates are (a) delinquent with respect to any premium payments thereon, or (b) in default or breach with respect to any material provision contained in the Insurance Policies.

4.17 Accounts Receivable. To the Knowledge of DCHS, all outstanding accounts receivable have arisen from bona fide transactions in the ordinary course of business and are collectible in the ordinary course of business in accordance with their terms. None of the accounts receivable are subject to any counterclaims, discounts or set off, and all reserves against such accounts receivable are adequate and consistent with the reserves previously maintained by DCHS in the ordinary course of business. None of the accounts receivable of DCHS or any of its Affiliates has been sold to any third party.

4.18 U.S. Persons. Neither DCHS nor DOCMSC is a "foreign person" for purposes of Section 1445 of the Code or any other Laws requiring withholding of amounts paid to foreign persons or entities.

4.19 Cost Reports. Notices of program reimbursement or similar notices of settlement have been issued with respect to the cost reports of each acute care hospital of DCHS for Medicare and Medi-Cal for all fiscal years ending on or prior to June 30, 2012. Except as disclosed on **Schedule 4.19**, (a) all necessary cost reports for each acute care hospital of DCHS were filed when due for all fiscal years ending on or prior to June 30, 2012, and (b) to the Knowledge of DCHS, there are no facts or circumstances that would give rise to any material disallowance under any of the Hospital's cost reports.

ARTICLE 5

REPRESENTATION AND WARRANTIES OF PRIME HEALTHCARE

Except as set forth in the Disclosure Schedules, Prime Healthcare and PHF hereby represent and warrant to DCHS that the statements contained in this ARTICLE 5 are true and correct as of the date hereof, except to the extent that any such representation and warranty expressly relates to any other specified date or time (including those that speak only as to the date hereof).

5.1 Organization and Authorization of Prime Healthcare. Prime Healthcare is a corporation duly organized, validly existing and with active status under the laws of the State of Delaware and is duly authorized to transact business in the State of California, and PHF is a nonprofit public benefit corporation duly organized, validly existing and with active status under the laws of the State of California and is duly authorized to transact business in the State of California. Prime Healthcare and PHF have the requisite power and authority to enter into this Agreement and the other documents contemplated hereby and thereby, perform its obligations hereunder and thereunder.

5.2 Corporate Authority; Absence of Conflicts with Other Agreements. Prime Healthcare's and PHF's execution, delivery and performance of this Agreement and the other documents contemplated hereby and thereby to which Prime Healthcare or PHF is a party, and the consummation by Prime Healthcare and PHF of the Transaction contemplated hereby: (a)

are within the corporate power of Prime Healthcare and PHF, are not in contravention of Law or of the terms of any governing instruments of Prime Healthcare and PHF, as appropriate, and have been duly authorized by all appropriate corporate action, as appropriate; (b) will not violate, conflict with or constitute on the part of Prime Healthcare or PHF a breach or a default under any existing Law or any agreement, indenture, mortgage or lease to which Prime Healthcare or PHF may be subject; and (c) will not violate any order or judgment of any Governmental Entity to which Prime Healthcare may be subject.

5.3 Binding Obligations. This Agreement and any other agreements or instruments to which Prime Healthcare or its Affiliates will become a party pursuant hereto constitute or will constitute the valid and legally binding obligation of Prime Healthcare or such Affiliates and are or will be enforceable against Prime Healthcare or such Affiliates in accordance with the terms hereof or thereof, except as enforceability against Prime Healthcare or its Affiliates may be restricted or limited by any or all of the Enforceability Exceptions.

5.4 No Broker's Fees. Neither Prime Healthcare nor PHF has employed any investment banker, broker, finder, agent or other intermediary in connection with the negotiation or consummation of this Agreement or the Transaction.

5.5 Legal Proceedings. There are no claims, proceedings or investigations pending or, to the Knowledge of Prime Healthcare, threatened, which would either have a Material Adverse Effect on Prime Healthcare's or PHF's ability to consummate the Transaction. Neither Prime Healthcare nor PHF is subject to any order of any Governmental Entity that would have a Material Adverse Effect on Prime Healthcare's or PHF's ability to consummate the Transaction. Prime Healthcare and PHF are in substantial compliance with respect to any order of any Governmental Entity the noncompliance with which could reasonably be expected to have a Material Adverse Effect on Prime Healthcare's or PHF's ability to consummate the Transaction.

5.6 Ability to Perform. Prime Healthcare and PHF collectively shall have immediately available funds in cash (inclusive of any unrestricted cash of DCHS), plus borrowing availability under credit facilities or other debt arrangements (inclusive of the LC Deposit amount), in amounts sufficient, as of the Effective Date and as of the Closing Date, (a) to pay at Closing the Cash Purchase Price, (b) to pay at Closing any other amounts payable pursuant to this Agreement and each ancillary agreement, and (c) to consummate the Transaction.

5.7 Required Consents. No approval by any Governmental Entity is necessary or required for the execution and delivery of this Agreement by Prime Healthcare or for the consummation by Prime Healthcare of the Transaction, except for such approvals as set forth in **Schedules 6.3(b)(i), 6.3(b)(ii), 7.1(a)(i) and 7.1(a)(ii)**, or as may be required under the HSR Act, and any other applicable antitrust Laws.

5.8 Prime Healthcare's Experience and Investigation. Prime Healthcare has extensive knowledge and experience in financial, regulatory and business matters relating to owning and operating general acute care hospitals. Prime Healthcare has reviewed all information it deems necessary to its satisfaction with respect to the Business. Prime Healthcare has relied solely upon its own investigation of the business, assets, risks and prospects of the Business (which, except as herein provided, it has completed prior to entering into this Agreement) and those

express representations and warranties of DCHS made in this Agreement or in any instrument or document delivered by DCHS pursuant to this Agreement. Prime Healthcare acknowledges that neither DCHS nor any of its officers, directors, employees, representatives, Affiliates or agents assumes any responsibility for the accuracy or adequacy of any information heretofore or hereafter furnished to the Prime Healthcare by or on behalf of DCHS with respect to the Business, except as expressly provided in this Agreement and the Disclosure Schedules. Without limiting the generality of the foregoing, Prime Healthcare understands that any cost estimates, projections or other forward-looking information provided to Prime Healthcare by or on behalf of DCHS are not and shall not be deemed to be representations and warranties of DCHS, except to the extent reflected in the express representations and warranties of DCHS made in this Agreement or in any instrument or document delivered by DCHS pursuant to this Agreement. Except with respect to the express representations and warranties of DCHS made in this Agreement or in any instrument or document delivered by DCHS pursuant to this Agreement, Prime Healthcare acknowledges that (a) there are uncertainties inherent in attempting to make such estimates, projections and other predictions; (b) Prime Healthcare is familiar with such uncertainties; and (c) Prime Healthcare is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections or other predictions so furnished to it.

5.9 Solvency. Prime Healthcare is solvent and will not be rendered insolvent as a result of any of the Transaction contemplated by this Agreement. For purposes hereof, the term “solvency” means that: (a) the fair salable value of Prime Healthcare’s tangible assets is in excess of the total amount of its liabilities (including for purposes of this definition all liabilities, whether or not reflected on a balance sheet prepared in accordance with generally accepted accounting principles, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed); (b) Prime Healthcare is able to pay its debts or obligations in the ordinary course as they mature; and (c) Prime Healthcare has capital sufficient to carry on its businesses and all businesses which it is about to engage, including, without limitation, adequate working capital to operate the Business following the Closing.

5.10 Health Care Compliance.

(a) Prime Healthcare and its Affiliates are in material compliance with all applicable Laws, including the Health Care Laws, except for instances of noncompliance that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Prime Healthcare’s ability to consummate the Transaction.

(b) To the Knowledge of Prime Healthcare, no action is pending or threatened or recommended by any Governmental Entity to terminate or decertify any participation by any Affiliate of Prime Healthcare in the Medicare, Medicaid or any other third party payor programs, nor has there been any decision not to renew any provider agreement related to any hospital owned and operated by Prime Healthcare.

(c) No hospital owned and operated by Prime Healthcare has been excluded from participation in the Medicare or Medicaid program nor is any such exclusion threatened. To the Knowledge of Prime Healthcare, no employee or independent contractor of Prime Healthcare or its Affiliates (whether an individual or entity) has been excluded from participating in any federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)). To the Knowledge

of Prime Healthcare, none of the officers, directors or managing employees (as such term is defined in the Medicare Program Integrity Manual) of Prime Healthcare has been excluded from participation in the Medicare or Medicaid programs or been subject to sanction pursuant to 42 U.S.C. § 1320a-7a or 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b.

(d) To the Knowledge of Prime Healthcare, none of the officers, directors or managing employees (as such term is defined in the Medicare Program Integrity Manual) of Prime Healthcare is now or has in the past been subject to or bound by a corporate integrity agreement with the United States Department of Health and Human Services Office of the Inspector General or other similar agreement (*e.g.*, deferred prosecution agreement) with any Governmental Entity.

ARTICLE 6 COVENANTS OF DCHS

6.1 Access. DCHS will permit the officers and authorized representatives and agents of Prime Healthcare reasonable access to the medical staff, employees and other personnel of the Business (including the Hospitals), and to the assets and the books and records of DCHS related thereto and of the Business relating thereto, including the right to inspect the same and conduct audits and verifications thereof; *provided, however*, that (a) none of the foregoing violates patient or other confidentiality requirements or impairs any other privilege or requirement of confidentiality under Law or contract, and (b) Prime Healthcare first provides notice of such access and inspection and conducts the same in such a manner as not to interfere unreasonably with the operation of the Business or the conduct of DCHS' business.

6.2 Operations. Prior to Closing, except as listed on **Schedule 6.2** or as contemplated by Section 2.2, or otherwise with Prime Healthcare's prior written approval (which approval will not to be unreasonably withheld, conditioned or delayed), DCHS will cause the Business (including the Hospitals) to be carried on in the ordinary course and will not make or permit any material change in the operations of the Business (including the Hospitals), except in the ordinary course of business or with prior written approval from Prime Healthcare; *provided, however*, that DCHS and its Affiliates may:

(a) sell, lease, license or otherwise dispose of an asset of the Business with the prior written consent of Prime Healthcare, such consent to not be unreasonably withheld;

(b) pay any retention bonus agreed to prior to the Effective Date as listed on **Schedule 6.2(b)** and provide reasonable compensation, including reasonable retention bonuses, which retention bonuses collectively in the aggregate will not exceed Three Million Five Hundred Thousand Dollars (\$3,500,000) (*provided* that DCHS will provide notice to Prime Healthcare regarding any retention bonus payments DCHS determines are reasonably necessary and that exceed, in the aggregate, Two Million Nine Hundred Thousand Dollars (\$2,900,000)), to certain key DCHS Employees in order to retain such DCHS Employees as DCHS deems necessary in order to effectively operate the Hospitals, DCHS or any Affiliate of DCHS;

(c) use reasonable efforts to preserve intact DCHS' business organization and relationships with third parties (including lessors, lessees licensors, suppliers, distributors, unions and patients) and DCHS Employees; and

(d) subject to Section 7.6, administer its labor relations (including contract administration, grievances and arbitration, and collective bargaining) and employment matters in the ordinary course of business.

6.3 Regulatory Approvals.

(a) Subject to Section 6.3(b), DCHS shall (i) use diligent efforts, as reasonably requested by Prime Healthcare, to assist Prime Healthcare in the securing of, as promptly as practicable and before the Closing Date, all Governmental Entity approvals, and (ii) will provide such other information and communications to Governmental Entities and accrediting and certifying bodies as Prime Healthcare or such authorities and bodies may reasonably request. DCHS shall also reasonably assist Prime Healthcare to complete change of ownership applications and notices with respect to Licenses, billing numbers, provider applications and other permits relating to the Hospitals for each of the functions at Hospitals which require approval of the change of ownership by a Governmental Entity or by a third party payor (each, an "*Application*"). DCHS shall provide Prime Healthcare in a timely manner with such information about the Hospitals as may be needed for the prompt and timely completion and filing of each Application.

(b) Within fifteen (15) days after the Effective Date, DCHS shall file all necessary regulatory filings set forth on **Schedule 6.3(b)(i)**, which shall include at a minimum the following:

(i) The required Notification and Report Form for Certain Mergers and Acquisitions under the HSR Act with the U.S. Federal Trade Commission and the U.S. Department of Justice Antitrust Division, and such other filings as Prime Healthcare and DCHS may mutually determine are necessary or desirable in connection with the Transaction under applicable Antitrust Laws (collectively, the "*Antitrust Filings*") with the appropriate Governmental Entity designated by Law to receive such filings. As promptly as is practicable after receiving any request from the U.S. Department of Justice or the U.S. Federal Trade Commission for information, documents, or other materials in connection with the review of the Antitrust Filings, DCHS shall use reasonable efforts to comply with such request. DCHS shall promptly inform Prime Healthcare of any material communication with, and any proposed understanding, agreement or undertaking with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. DCHS shall give Prime Healthcare reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, the U.S. Department of Justice or the U.S. Federal Trade Commission or the California Attorney General relating to the Antitrust Filings. DCHS shall deliver to Prime Healthcare within five (5) Business Days following the filing thereof, a complete and accurate copy of any Antitrust Filing filed by DCHS. All fees required to be paid to the U.S. Federal Trade Commission and any other Governmental Entity in connection with the Antitrust Filings shall be paid solely by Prime Healthcare at the time of filing.

(ii) The filing required by the California Attorney General for approval of the Transaction pursuant to California Corporations Code Section 5914, and any other such filings as Prime Healthcare and DCHS may determine are necessary or desirable in connection with receiving California Attorney General Approval. As promptly as is practicable after receiving any request from the California Attorney General for information, documents, or other materials in connection with the review of the request for California Attorney General Approval, DCHS shall use reasonable efforts to comply with such request. DCHS shall promptly inform Prime Healthcare of any material communication with, and any proposed understanding, agreement or undertaking with, the California Attorney General relating to the California Attorney General Approval. DCHS shall give Prime Healthcare reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, the California Attorney General relating to the California Attorney General Approval. DCHS shall deliver to Prime Healthcare within five (5) Business Days following the filing thereof, a complete and accurate copy of any materials filed with the California Attorney General by DCHS in connection with the California Attorney General Approval.

6.4 Additional Financial Information.

(a) Within thirty (30) days following the end of each fiscal month prior to the Closing, or forty-five (45) days in the case of the end of the fiscal year, DCHS will deliver to Prime Healthcare true and complete copies of the unaudited balance sheets and the related unaudited statements of revenues and expenses of the Business that have been prepared by DCHS for each month then ended subsequent to the date of the Financial Statements, which will be prepared in accordance with GAAP, subject to the GAAP Exceptions.

(b) Within one hundred fifty (150) days following the end of DCHS' fiscal year and in no event less than forty-five (45) days prior to the Closing Date, DCHS will deliver to Prime Healthcare true and complete copies of the audited Financial Statements for fiscal year ending June 30, 2014 that have been prepared on behalf of DCHS, which will have been prepared in accordance with GAAP.

(c) Within thirty (30) days following the end of each fiscal month prior to the Closing, DCHS will deliver to Prime Healthcare a preliminary updated estimated closing statement which will include DCHS' good faith assessment of the sources of funds that will be available at Closing, and the disbursements of funds that will need to be made at Closing. For illustrative purposes only, examples of disbursements include legal, M&A advisory and consulting fees, severance obligations, bond and other indebtedness pay off requirements and the like to be paid at Closing, and examples of sources include cash from Prime Healthcare, cash on hand, investments, restricted investments, and the like that are anticipated to be available and useable at Closing.

6.5 Exclusivity. DCHS will not, nor will it permit its Affiliates or DOCMSC to, authorize or permit any of its or their respective officers, directors, partners or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or them to, initiate, solicit, encourage (by way of furnishing access, non-public information or otherwise), negotiate or take any other action intended to facilitate any inquiries or the making of

any proposal which constitutes, or may reasonably be expected to lead to, any proposal or offer to acquire all or any substantial part of the business or assets of the Business (including the Hospitals), whether by merger, consolidation, purchase of assets, tender offer, joint venture, investment, exchange, lease or otherwise, whether for cash, securities or any other consideration or combination thereof, nor entertain, agree to, endorse, participate in any discussions or negotiations or recommend any such transaction. In the event that DOCMSC, DCHS, any of its Affiliates or any of their respective officers, directors or partners receives any bona fide proposals or offers contemplated by this Section 6.5, DCHS will promptly inform Prime Healthcare of that fact and furnish to Prime Healthcare the material specifics thereof. The restriction set forth in this Section 6.5 shall expire upon the termination of this Agreement.

6.6 Supplement to Disclosure Schedules. From time to time prior to the Closing, DCHS shall have the right (but not the obligation) to supplement or amend the Disclosure Schedules hereto with respect to any matter hereafter arising or of which it becomes aware after the date hereof (each a “*Schedule Supplement*”), and each such Schedule Supplement shall be deemed to be incorporated into and to supplement and amend the Disclosure Schedules as of the Closing Date; *provided, however*, that in the event such event, development or occurrence which is the subject of the Schedule Supplement constitutes or relates to something that has had a Material Adverse Effect, then Prime Healthcare shall have the right to terminate this Agreement for failure to satisfy the closing condition set forth in Section 9.1; *provided, further*, that if Prime Healthcare has the right to, but does not elect to terminate this Agreement within fifteen (15) Business Days of its receipt of such Schedule Supplement, then Prime Healthcare shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter under Section 9.1.

6.7 D&O Insurance. Prior to Closing, DCHS shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the “*D&O Insurance*”), the details of which, including cost, are set forth on **Schedule 6.7**, for claims made after the Effective Time with respect to matters existing or occurring prior to the Effective Time from a D&O Insurance carrier and broker that is mutually acceptable to DCHS and Prime Healthcare, and that has the same or better credit rating as DCHS’ current D&O Insurance carrier, for the persons who, as of the Effective Date, are covered by DCHS’ existing D&O Insurance with terms the same as or similar to DCHS’ existing D&O Insurance with respect to matters existing or occurring prior to the Effective Time.

6.8 Fiduciary Liability Insurance. Prior to Closing, DCHS shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the “*Fiduciary Liability Insurance*”), the details of which, including cost, are set forth on **Schedule 6.8**, for claims made after the Effective Time with respect to matters existing or occurring prior to the Effective Time from a Fiduciary Liability Insurance carrier and broker that is mutually acceptable to DCHS and Prime Healthcare, and that has the same or better credit rating as DCHS’ current Fiduciary Liability Insurance carrier, for the persons who, as of the Effective Date, are covered by DCHS’ existing Fiduciary Liability Insurance with terms the same as or similar to DCHS’ existing Fiduciary Liability Insurance with respect to matters existing or occurring prior to the Effective Time.

6.9 Consulting Agreement. In an effort to effectuate a smooth transition between DCHS and Prime Healthcare, DCHS hereby engages Prime Healthcare at no cost for consulting services from the time of execution of this Agreement until the Closing to allow and aid in improving cost effectiveness and patient care quality metrics consistent with Prime Healthcare's existing policies and protocols. DCHS will use diligent efforts to cooperate with Prime Healthcare, and DCHS will consider in good faith Prime Healthcare's reasonable recommendations, so long as they are consistent with the rules and regulations of DCHS, subject at all times to DCHS' ultimate authority and control over the Business and the Hospitals. Notwithstanding the foregoing, DCHS shall have no obligation to follow the consulting advice of Prime Healthcare as discussed in this Section 6.9 prior to the Closing.

6.10 Retained Assets. DCHS shall use reasonable efforts to transfer the Retained Assets to DOCMSC prior to the Closing.

6.11 Closing Conditions. Prior to the Closing, DCHS shall use commercially reasonable efforts to cause the conditions specified in ARTICLE 8 and ARTICLE 8 over which DCHS have reasonable control to be satisfied as soon as reasonably practicable, but in any event prior to the Closing.

ARTICLE 7 COVENANTS OF PRIME HEALTHCARE

7.1 Regulatory Approvals.

(a) Subject to any specific terms or conditions contained in this Agreement, from the Effective Date until the Closing Date or the earlier termination of this Agreement pursuant to ARTICLE 10, Prime Healthcare shall use reasonable efforts to assist DCHS in obtaining all Governmental Entity approvals, including, without limitation, the following:

(i) Prime Healthcare shall provide such other information and communications to Governmental Entities and accrediting and certifying bodies as DCHS or such Governmental Entities may reasonably request.

(ii) Subject to Section 7.1(a)(iv), Prime Healthcare will reasonably cooperate with DCHS in DCHS' efforts to obtain, as promptly as practicable, approvals, authorizations and clearances from all Governmental Entities required for the Transaction. Prime Healthcare shall use reasonable efforts to obtain as soon as practicable all Licenses and Permits required to operate the Business (including the Hospitals) as currently operated and shall use reasonable efforts to obtain, as promptly as practicable, all approvals, authorizations and clearances from all Governmental Entities required by Law for Prime Healthcare to consummate the Transaction contemplated hereby, including, but not limited to, the California Attorney General Approval. Prime Healthcare shall be apprised of DCHS' efforts in obtaining such approvals, authorizations and clearances, and Prime Healthcare shall be provided with copies of correspondence pertaining to requests and applications submitted by DCHS. Except as otherwise provided by this Agreement, Prime Healthcare will bear all costs and expenses associated with obtaining all approvals, authorizations and clearances from all Governmental Entities required by Law to consummate the Transaction.

(iii) Prime Healthcare shall act diligently and reasonably to complete change of ownership applications and notices with respect to all Applications. Prime Healthcare shall complete and file all Applications that are required by a Governmental Entity or by a third party payor to be filed by the transferee. Promptly after the filing of each Application, Prime Healthcare shall provide one full copy of such Application to DCHS. Prime Healthcare shall pay the entirety of any fees charged by a Governmental Entity in connection with the filing of any Application including, without limitation, fees charged in connection with Applications that must be filed by the transferor.

(iv) Within fifteen (15) days after the Effective Date, Prime Healthcare shall file all necessary regulatory filings set forth on **Schedule 7.1(a)(i)**, with the exception of the necessary filings with the California Department of Public Health (the “*CDPH Approvals*”) as set forth on **Schedule 7.1(a)(ii)**, which shall be filed no later than fifteen (15) Business Days after the California Attorney General Approval. **Schedule 7.1(a)(i)** shall include at a minimum the Antitrust Filings with the appropriate Governmental Entity designated by Law to receive such filings, and **Schedule 7.1(a)(ii)** shall include at a minimum all material Licenses and Permits needed to operate the Hospitals. As promptly as is practicable after receiving any request from the U.S. Department of Justice or the U.S. Federal Trade Commission for information, documents, or other materials in connection with the review of the Antitrust Filings, Prime Healthcare shall use reasonable efforts to comply with such request. Prime Healthcare shall cooperate with DCHS in connection with resolving any inquiry or investigation by the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Prime Healthcare shall promptly inform DCHS of any communication with, and any proposed understanding, agreement or undertaking with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Prime Healthcare shall give DCHS reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any meeting or conference (whether by telecommunications or in person) with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Prime Healthcare shall deliver to DCHS within five (5) Business Days following the filing thereof, a complete and accurate copy of any Antitrust Filing filed by Prime Healthcare. All fees required to be paid to the U.S. Federal Trade Commission and any other Governmental Entity in connection with the Antitrust Filings shall be paid solely by Prime Healthcare at the time of filing.

7.2 Title.

(a) Prime Healthcare at its sole cost and expense shall use commercially reasonable efforts to obtain the unconditional commitments to issue the Title Policies referenced in Section 9.6. Additionally, Prime Healthcare shall pay for all the costs associated with endorsements to the Title Policies.

(b) DCHS and Prime Healthcare agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the Real Property (the “*Transfer Taxes*”), if any, shall be borne by Prime Healthcare. Prime Healthcare shall file all necessary Tax Returns and other documents required to be filed with respect to such Transfer Taxes and shall cooperate with DCHS to the extent reasonably necessary to make such filings or Tax Returns as may be required.

(c) All costs of obtaining the Title Documents, except the cost of the Title Policies, shall be borne by DCHS.

(d) All recording fees or similar charges, if any, in connection with the Real Property shall be borne one-half by DCHS and one-half by Prime Healthcare.

(e) All costs of the Environmental Survey and all costs of any additional surveys shall be borne by Prime Healthcare, except for the Phase I Environmental Site Assessment which shall be provided and paid for by DCHS.

7.3 Employees.

(a) Subject to Section 7.3(b), following the Closing Date, Prime Healthcare shall continue the employment of substantially all of the (i) unrepresented employees of the Hospitals, the DCHS Medical Foundation, CBS and the system office employees (excluding the Senior Leaders), and (ii) employees working under a Collective Bargaining Agreement, each of whom are employed by DCHS as of the Closing Date, and who are in good standing and pass standard employee background checks, including any such employees who are on short-term or long-term disability or on leave of absence pursuant to the Family and Medical Leave Act of 1993 (each, a “*Continuing Employee*”). The Continuing Employees will receive substantially the same salaries or wages, and be given similar job titles and duties, as were provided by DCHS prior to the Closing Date.

(b) Prior to the Closing Date, Prime Healthcare shall make employment offers to substantially all of the DCHS Executives, the Hospital CEOs, the DCHS Medical Foundation President and Chief Medical Officer, and the CBS Senior Directors (collectively, the “*Senior Leaders*”) who are employed by DCHS as of the Closing Date (and those Senior Leaders who accept such employment offers will receive written employment agreements to document such acceptance), and who are in good standing and pass standard employee background checks. The Senior Leaders will receive substantially the same salaries or wages, and similar job titles and duties, as were provided by DCHS prior to the Closing Date.

(c) Prime Healthcare agrees to adhere to and abide by the severance obligations set forth in the written employment agreements of the Senior Leaders and the Continuing Employees and, where no such written employment agreement exists, abide by DCHS’ severance pay obligations as set forth on the policies attached to **Schedule 7.3(c)** for a period of twelve (12) months following the Effective Time, *provided* that any Senior Leader or Continuing Employee who executes a new written employment agreement with Prime Healthcare will be entitled only to the severance pay benefits set forth in such new employment agreements, and consequently such Senior Leader or Continuing Employee will no longer be entitled to the severance pay benefits set forth in their DCHS employment agreement or DCHS’ severance pay policies, as the case may be.

(d) To the extent Prime Healthcare does not make a severance payment to a terminated Senior Leader (without a new written employment agreement) or Continuing Employee between the Effective Time and the first anniversary of the Effective Time in an amount consistent with DCHS’ severance pay obligations described in **Schedule 7.3(c)**,

DOCMSC shall be entitled to make such severance payments directly to such Senior Leaders and Continuing Employees out of the Holdback Amount. DOCMSC and Prime Healthcare shall meet quarterly to reconcile the then remaining Holdback Amount with any severance payments made by Prime Healthcare during the preceding fiscal quarter, and DOCMSC shall release to Prime Healthcare from the Holdback Account an amount not less than the severance payments made by Prime Healthcare during such preceding fiscal quarter to any terminated Senior Leaders or Continuing Employees (or the entire Holdback Amount, in DOCMSC's discretion, if DOCMSC gets comfortable that Prime Healthcare is making timely severance payments). In any event, on the anniversary of the Effective Time, any remaining Holdback Amount shall be released to Prime Healthcare.

(e) Prime Healthcare shall provide employee benefits to the Continuing Employees and Senior Leaders that are consistent with the employee benefit plans to which similarly situated Prime Healthcare employees receive, subject to any requirements as may be provided under any Collective Bargaining Agreement or duty to bargain.

(f) Prime Healthcare shall use commercially reasonable efforts to cause each Continuing Employee and Senior Leader to receive service credit for all of his or her years of service with DCHS and DCHS' predecessors in interest for purposes of determining eligibility, vesting and the amount of holiday, vacation or sick pay to which each such Continuing Employee or Senior Leader is entitled under the applicable benefit plans, programs and arrangements of Prime Healthcare.

(g) Prime Healthcare shall cause all pre-existing conditions that any Continuing Employee, Senior Leader, or his or her covered dependents has as of the Closing Date, and all proof of insurability provisions to which such employee or dependent would be otherwise subject, to be waived or satisfied for all conditions covered by any plan maintained by Prime Healthcare or its Affiliates in which any such employee participates, in each case to the same extent waived or satisfied under the corresponding DCHS Plan. Prime Healthcare shall use commercially reasonable efforts to cause all waiting periods applicable to Continuing Employees or Senior Leaders under each plan maintained by Prime Healthcare or its Affiliates to be waived with respect to the Continuing Employees, the Senior Leaders and their covered dependents to the extent that any such waiting periods were waived or satisfied under the corresponding DCHS Plan.

(h) Nothing contained in this Section 7.3 is intended to be or shall be considered to be an amendment or adoption of any plan, program, agreement, arrangement or policy of DCHS, Prime Healthcare or any of their respective Affiliates, nor shall anything in this Section 7.3 interfere with or limit Prime Healthcare's right to amend, modify or terminate any DCHS Plan or any other benefit or compensation plan, program, agreement, policy, contract or arrangement, or to terminate the employment of any employee of DCHS for any reason, *provided* that Prime Healthcare shall be subject to the provisions contained in this Section 7.3.

7.4 Pension Liabilities.

(a) Effective as of the Effective Time, Prime Healthcare shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as

necessary to satisfy the requirements of ERISA and the Code and shall administer and fund the plans in accordance with the requirements of ERISA and the Code. Prime Healthcare shall assume responsibility for all DCHS' liabilities, be they contingent, interim or otherwise, under the Defined Benefit Church Plan and the Defined Contribution Church Plans as of the Effective Time. For the avoidance of doubt, Prime Healthcare shall be responsible for making, or causing DCHS to make, all contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan as of the Closing Date, whether the obligation to make such contributions results from the conversion of the Defined Benefit Church Plan to a plan that is not a "church plan" or a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Closing Date.

(b) Prime Healthcare shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements:

(i) Prime Healthcare shall cooperate with DCHS as reasonably requested to take any actions necessary with respect to the assumption of DCHS' obligations to the Multiemployer Plans as required by Collective Bargaining Agreements. Prime Healthcare agrees to continue to contribute to such Multiemployer Plans, as required by Collective Bargaining Agreements, for substantially the same number of contribution base units for which DCHS had an obligation to contribute to the Multiemployer Plans immediately prior to the Closing Date, as the base units may be modified by such Multiemployer Plans from time to time.

(ii) Prime Healthcare shall provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Code. Prime Healthcare shall assume responsibility for DCHS' portion of the liabilities, be they contingent, interim or otherwise, under the Multiemployer Plans as of the Effective Time.

(c) Prime Healthcare shall indemnify, defend and hold harmless DOCMSC and its Affiliates from any liability, be it contingent, interim or otherwise, resulting from any failure or alleged failure by DCHS to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans. Solely for purposes of this Section 7.4(c), the term "*Affiliate*" shall include any person who may be held jointly and severally liable for the funding of the Defined Benefit Church Plan or any of the Multiemployer Plans under any provision of ERISA.

7.5 Consents to Assignment. Prime Healthcare shall cooperate with DCHS as reasonably requested to obtain any consent to assign the Contracts and Real Estate Leases. Without DCHS' prior written consent, which consent will not be unreasonably withheld or delayed, Prime Healthcare shall not seek to obtain a consent from any party to any specific Contract.

7.6 Contact with Unions.

(a) Representatives of both DCHS and Prime Healthcare shall meet and confer from time to time as reasonably requested by either party to discuss strategic business options and alternative approaches in negotiating each such Collective Bargaining Agreement.

Both DCHS and Prime Healthcare shall each participate in all union negotiations related to any specific Collective Bargaining Agreement. Promptly following the Effective Date, DCHS shall use commercially reasonable efforts to initiate discussions to renegotiate each Collective Bargaining Agreement currently in effect with each applicable union. DCHS will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated Collective Bargaining Agreement, subject at all times to DCHS' ultimate authority and control over the Business and the Hospitals. Notwithstanding the foregoing, Prime Healthcare shall pay to DCHS, within fifteen (15) Business Days of receipt of an invoice from DCHS, all direct costs incurred by DCHS (or any of its Affiliates) due to a strike or work stoppage between the Effective Date and Closing, including the cost of replacement workers, *provided* that such strike or work stoppage is related to or in connection with the negotiations described above in this Section 7.6. If Prime Healthcare disputes any invoice (or portion thereof), Prime Healthcare and DCHS shall follow the procedures set forth in Section 7.6(b) regarding review and resolution of any dispute regarding an invoice. The parties recognize that DCHS' failure to secure a modification to any Collective Bargaining Agreement, or to conclude a successor Collective Bargaining Agreement shall not be a breach of DCHS' obligation under this Agreement, *provided* that if the unions refuse to negotiate, or otherwise are not timely, reasonable or realistic in renegotiating, the Collective Bargaining Agreements during the period between the Effective Date and the Closing Date, DCHS and Prime Healthcare will jointly consider, and negotiate mutually in good faith, alternative approaches that may be available and/or necessary to reduce DCHS' labor cost structure. Notwithstanding anything to the contrary contained in this Section 7.6, Prime Healthcare is at all times entitled to negotiate with those unions that it has current collective bargaining agreements regarding global contracts.

(b) As soon as practicable and in no event later than ten (10) Business Days after receipt of an invoice, Prime Healthcare shall deliver to DCHS a detailed written explanation of its reasons and underlying support for disputing such invoice or portion thereof (a "*Disagreement Notice*"). If no Disagreement Notice is delivered in a timely manner, the invoice shall become final, conclusive and binding on all parties for purposes of this Section 7.6. If Prime Healthcare delivers a Disagreement Notice to DCHS, the parties shall use commercially reasonable efforts to reach agreement on the disputed items or amounts in order to determine the invoice amount. If the parties do not resolve all disputed items or amounts set forth in the Disagreement Notice within fifteen (15) Business Days after delivery of a Disagreement Notice (including at least one conversation between the CEOs of each of Prime Healthcare and DCHS), then the remaining disputed items and amounts shall be resolved by binding arbitration in the State of California at a time and location designated by a mutually agreed upon arbitrator, which arbitrator shall be selected and shall be given instructions to conclude the arbitration within thirty (30) days after a demand for arbitration has been made. Arbitration shall be conducted in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration, and by a neutral party who is an approved neutral party in accordance with the American Health Lawyers Association. If the parties cannot agree on an arbitrator, each party shall select an arbitrator and the selected arbitrators shall select a third arbitrator from the list of approved neutrals provided by the American Health Lawyers Association. Judgment upon the award rendered by the arbitrator shall be binding on the parties and may be entered in any court of competent jurisdiction. The arbitration proceeding costs, including the arbitrator's compensation and expenses and reasonable attorneys' fees, shall be paid by the party whom the arbitrator determined has not prevailed in the proceeding, or paid

equally by the parties if the arbitrator determines that neither party has prevailed. The award of the arbitrator shall be final and shall not be subject to vacation or modification by either party.

7.7 Prime Healthcare Subsequent Sale. If Prime Healthcare decides to sell any of the Hospitals, or consolidate or merge the Hospitals with any other Person, during a period when Prime Healthcare is performing any covenants pursuant to this ARTICLE 7, Prime Healthcare shall ensure that such subsequent owner of the Hospital agrees to fulfill Prime Healthcare's obligations under this ARTICLE 7, and provide written notice of same to DOCMSC.

7.8 Charity Care; Other Related Matters.

(a) Prime Healthcare agrees to treat indigent patients and to provide charity care in the service area of the Hospitals and will comply with all applicable Laws governing such matters. For a period of not less than five (5) years following the Effective Time, Prime Healthcare shall maintain policies for the treatment of indigent patients at the Hospitals similar to those currently in effect at such Hospitals (or replacement policies that are intended to provide a similar or greater benefit to the community), *provided* that for purposes of determining the amount of charity and indigent care Prime Healthcare provides at the Hospitals, Prime Healthcare must adhere to the definitions and methodology for calculating charity care costs established by the California Office of Statewide Health Planning and Development as set forth in the Accounting and Reporting Manual for California Hospitals and applicable Hospital Technical Letters issued in connection therewith.

(b) To ensure adequate access to Medicare and Medi-Cal patients, for a period of not less than five (5) years following the Effective Time, Prime Healthcare will continue to operate the Hospitals as general acute care hospitals under California Health and Safety Code Section 1250 and shall continue to offer an open emergency room, subject to the availability of physicians on the respective Hospital's medical staff qualified to support such services and subject further to such changes as may be necessary or appropriate based on community needs, market demand and the financial viability of such services. Prime Healthcare shall operate the Hospitals in accordance with all Laws, including adopting a policy to provide for an appropriate medical screening examination to any patient presented to the emergency room who has a medical emergency, or who, in the judgment of the staff physician, has an immediate emergency need. No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Time, Prime Healthcare will maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.9 Capital Commitment. Within three (3) years following the Effective Time, Prime Healthcare covenants and agrees that it will either spend or commit to spend at least One Hundred Fifty Million Dollars (\$150,000,000) in capital expenditures at the Hospitals.

7.10 Intellectual Property.

(a) Prime Healthcare hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Prime Healthcare further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name “*Prime Healthcare*” or similar “*Prime*” branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Prime Healthcare covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks in any manner and in any medium.

(c) Prime Healthcare shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.11 DOCMSC Lease. Concurrently with the Closing, PHF shall enter into a lease with DOCMSC pursuant to which the PHF shall lease to DOCMSC the Seton Hall residences located at 262 South Lake Street, Los Angeles, California 90057 for a term of five (5) years at a rate of One Dollar (\$1.00) per year.

7.12 Closing Conditions. Prior to Closing, Prime Healthcare will use commercially reasonable efforts to cause the conditions specified in ARTICLE 7 and ARTICLE 9 over which Prime Healthcare has reasonable control to be satisfied as soon as reasonably practicable, but in any event prior to Closing.

ARTICLE 8
CONDITIONS PRECEDENT TO DCHS’ OBLIGATIONS

The obligations of the DCHS hereunder are subject to satisfaction on or before the Closing Date, of all of the conditions precedent set forth in this ARTICLE 8, any of which may be waived in writing by the DCHS.

8.1 Representations and Warranties. The representations and warranties of Prime Healthcare contained in this Agreement will be true and correct in all material respects on and as of the date hereof and as of the Closing Date, except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect. In the event there are breaches of representations and warranties made by Prime Healthcare hereunder that have not had or are not reasonably likely to have a Material Adverse Effect, DCHS shall not be excused from performance hereunder as a result of such

breaches, and DCHS shall not assert the breach of such representations and warranties as a basis for not consummating the Transaction contemplated by this Agreement.

8.2 Performance of Covenants. Prime Healthcare shall have in all material respects performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date, except where the failure to perform or comply with such covenants or conditions would not, individually or in the aggregate, have a Material Adverse Effect. In the event there are failures to perform or comply with covenants or conditions by Prime Healthcare hereunder that have not had or are not reasonably likely to have a Material Adverse Effect, DCHS shall not be excused from performance hereunder as a result of such failure, and DCHS shall not assert the failures to perform or comply with covenants or conditions as a basis for not consummating the Transaction contemplated by this Agreement.

8.3 Actions or Proceedings. No order, ruling, or judgment of any Governmental Entity will remain in effect which restrains, enjoins and/or otherwise prohibits the completion of the Transaction contemplated hereby. As of the Closing Date, no action or proceeding before any Governmental Entity shall have been instituted and remain in effect which seeks to restrain or prohibit the Transaction contemplated hereby.

8.4 Approvals by Governmental Entities; Licenses and Permits. DCHS shall have received documentation or other evidence reasonably satisfactory to DCHS that Prime Healthcare has received or will receive all approval and authorizations set forth on **Schedules 6.3(b)(i), 6.3(b)(ii), 7.1(a)(i) and 7.1(a)(ii)**, including the California Attorney General Approval.

8.5 Hart-Scott-Rodino Filings. All filings required to be made and notices required to be given pursuant to the HSR Act shall have been made, all approvals or consents required thereby shall have been obtained and the waiting periods required thereby, if any, shall have expired or terminated.

8.6 Other Approvals. DCHS shall have obtained an opinion from a recognized canon lawyer opining that all required approvals under applicable law of the Roman Catholic Church (“*Church Law*”) for the alienation of the Real Property and any other aspects of the Transaction subject to Church Law have been obtained and are in force and effect (the “*Church Approval*”).

8.7 Retained Assets. The Retained Assets have been transferred from DCHS to DOCMSC.

8.8 Other Instruments and Documents. Prime Healthcare will have delivered to DCHS each of the instruments and documents required to be delivered to it pursuant to Section 3.2.

ARTICLE 9

CONDITIONS PRECEDENT TO PRIME HEALTHCARE’S OBLIGATIONS

The obligations of Prime Healthcare hereunder are subject to satisfaction, on or before the Closing Date, of all of the conditions precedent set forth in this ARTICLE 9, any of which may be waived in writing by Prime Healthcare.

9.1 Representations and Warranties. The representations and warranties of DCHS contained in this Agreement will be true and correct in all material respects on and as of the date hereof and as of the Closing Date, except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect. In the event there are breaches of representations and warranties made by DCHS hereunder that have not had or are not reasonably likely to have a Material Adverse Effect, Prime Healthcare shall not be excused from performance hereunder as a result of such breaches, and Prime Healthcare shall not assert the breach of such representations and warranties as a basis for not consummating the Transaction contemplated by this Agreement.

9.2 Performance of Covenants. DCHS shall have in all material respects performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date, except where the failure to perform or comply with such covenants or conditions would not, individually or in the aggregate, have a Material Adverse Effect. In the event there are failures to perform or comply with covenants or conditions by DCHS hereunder that have not had or are not reasonably likely to have a Material Adverse Effect, Prime Healthcare shall not be excused from performance hereunder as a result of such failure, and Prime Healthcare shall not assert the failures to perform or comply with covenants or conditions as a basis for not consummating the Transaction contemplated by this Agreement.

9.3 Actions or Proceedings. No order, ruling or judgment of any Governmental Entity will remain in effect which restrains, enjoins and/or otherwise prohibits the completion of the Transaction contemplated hereby. As of the Closing Date, no action or proceeding before any Governmental Entity shall have been instituted and remain in effect which seeks to restrain or prohibit the Transaction contemplated hereby.

9.4 Approvals by Governmental Entities; Licenses and Permits. Prime Healthcare shall have received documentation or other evidence reasonably satisfactory to Prime Healthcare that Prime Healthcare has received or will receive all approval and authorizations set forth on **Schedules 6.3(b)(i), 6.3(b)(ii), 7.1(a)(i) and 7.1(a)(ii)**, including the California Attorney General Approval.

9.5 Hart-Scott-Rodino Filings. All filings required to be made and notices required to be given pursuant to the HSR Act shall have been made, all approvals or consents required thereby shall have been obtained and the waiting periods required thereby, if any, shall have expired or terminated.

9.6 Title Matters. The Real Property shall not have become encumbered or subject to any matter that is not a Permitted Exception or otherwise agreed to by Prime Healthcare, and Prime Healthcare shall have received reasonable assurance from the Title Company of its unconditional commitment to issue, subject only to payment of applicable premiums, that the title policies relating to the Real Property shall be issued as of the Effective Time (each, a "*Title Policy*") in accordance with the provisions of this Section 9.6. Each Title Policy shall (a) name Prime Healthcare as the insured, and (b) commit to insure good and marketable fee simple title to such Real Property in Prime Healthcare's name, subject only to the Permitted Exceptions.

9.7 No Material Adverse Effect. There shall not have been a Material Adverse Effect. For the avoidance of doubt, Prime Healthcare cannot terminate this Agreement because of or as a result of a strike or work stoppage between the Effective Date and Closing.

9.8 Other Instruments and Documents. DCHS shall have delivered to Prime Healthcare each of the instruments and documents required to be delivered by them pursuant to Section 3.3.

ARTICLE 10 TERMINATION

10.1 Termination. This Agreement may be terminated and the Transaction contemplated hereby abandoned prior to Closing:

(a) upon the mutual written consent of Prime Healthcare and DCHS;

(b) (i) Subject to Section 10.1(b)(ii), by Prime Healthcare or DCHS if the Closing has not occurred on or before the date which is one hundred and fifty (150) calendar days following the Effective Date (the “*Outside Date*”) by providing written notice to the other at any time on or after the Outside Date; *provided, however*, that no party may terminate this Agreement under this Section 10.1(b)(i) if on the Outside Date all conditions to the obligations of Prime Healthcare or DCHS at Closing set forth in ARTICLE 8 and ARTICLE 9, as applicable, have been satisfied. Notwithstanding any of the foregoing of this Section 10.1(b)(i), the right to terminate this Agreement under this Section 10.1(b)(i) shall not be available to any party whose material breach of this Agreement has been the cause of the failure of the Transaction to have been consummated on or before the Outside Date;

(ii) Notwithstanding Section 10.1(b)(i), if the Closing has not occurred on or before the Outside Date because a Governmental Entity approval or Church Approval that must be received prior to the consummation of the Transaction has not been received before or on the Outside Date, then such Outside Date shall be extended until thirty (30) calendar days following the date on which such Governmental Entity approval and Church Approval is obtained; *provided, however*, that either party may terminate this Agreement in writing if such date is more than three hundred and fifty (350) calendar days after the Effective Date. Notwithstanding any of the foregoing of this Section 10.1(b)(ii), the right to terminate this Agreement under this Section 10.1(b)(ii) shall not be available to any party whose material breach of this Agreement has been the cause of the failure of the Transaction to have been consummated on or before the Outside Date;

(c) by Prime Healthcare in the event of a failure of a condition set forth in ARTICLE 9, except Sections 9.4 and 9.5 (other than with respect to a filing or notice required pursuant to the HSR Act only), if such failure has not been (i) waived in writing by Prime Healthcare or (ii) cured by DCHS within thirty (30) calendar days after service by Prime Healthcare upon DCHS of a written notice which describes the nature of such failure; *provided, however*, Prime Healthcare shall not be permitted to terminate this Agreement pursuant to this Section 10.1(c) if such failure was caused by Prime Healthcare or if Prime Healthcare is in material breach of this Agreement;

(d) by DCHS in the event of a failure of any condition set forth in ARTICLE 8, except Sections 8.4 and 8.5 (other than with respect to a filing or notice required pursuant to the HSR Act only), if such failure has not been (i) waived in writing by DCHS or (ii) cured by Prime Healthcare within thirty (30) calendar days after service by DCHS upon Prime Healthcare of a written notice which describes the nature of such failure; *provided, however*, that DCHS shall not be permitted to terminate the Agreement pursuant to this Section 10.1(d) if such failure was caused by DCHS or if DCHS is in material breach of this Agreement; or

(e) by either party, if (i) a Governmental Entity of competent jurisdiction has issued a judgment or taken any other action, in each case, which has become final and non-appealable and which enjoins or otherwise prohibits the Transaction from Closing, subject to Section 10.1(b)(ii), or (ii) the California Attorney General imposes one (1) or more conditions that are not Acceptable AG Conditions, but only after commercially reasonable efforts by the parties to get the California Attorney General to modify or revise any such condition to be an Acceptable AG Condition.

10.2 Effect of Termination. In the event of any termination of this Agreement, as provided by Section 10.1, this Agreement will thereupon become void and of no effect, no party will have any liability to any other party arising out of such termination, and no party will have any further rights or obligations hereunder, except for the obligations of the parties contained in this Section 10.2, Section 2.8, Section 7.6 (solely with respect to the payment of direct costs), Section 13.1, Section 13.6 and Section 13.16 and those other obligations which explicitly provide for survival in the event of a termination pursuant to Section 10.1. The provisions of Section 2.8 shall govern the disposition of the LC Deposit.

ARTICLE 11

TAX AND COST REPORT MATTERS

11.1 Tax Matters. The parties shall cooperate fully with each other, as and to the extent reasonably requested by the other party, in connection with any Tax matter related to the Transaction or the operation of the Hospitals (including by the provision of reasonably relevant Records or information subject to the other terms and conditions of this Agreement applicable to such Records, including without limitation, Section 2.2(b) and Section 12.2). In the event that Prime Healthcare requests such cooperation from DCHS, Prime Healthcare will pay the reasonable out-of-pocket expenses incurred by DCHS pursuant to such request.

11.2 Filing Cost Reports; Amounts Due To or From Third Party Payors; Cost Report Audits and Contests. After the Closing Date, Prime Healthcare shall prepare and timely file, in a manner that complies with applicable Laws, all Cost Reports (including, without limitation, terminating cost reports) and all other filings which are required to be filed with Medicare, any other payors or any Governmental Entity with respect to the operations of the Business, as applicable, for any and all periods ending on, after or prior to the Closing Date. Prior to filing any such Cost Reports and other filings, Prime Healthcare shall deliver a copy of each to DCHS. Within a reasonable period of time after filing each such Cost Report, Prime Healthcare shall provide DCHS with a copy of such filed Cost Reports and other filings.

11.3 Cost Report and Other Audits and Contests. After the Closing Date and for the period of time necessary to conclude any pending or potential audit, administrative or judicial appeal, or contest of any Cost Reports or reimbursement or payments made with respect to the Hospitals concerning periods ending on or before the Effective Time, Prime Healthcare shall within fifteen (15) Business Days of Prime Healthcare's receipt of the same, forward to DCHS all information received from payors relating to periods prior to and as of the Closing Date, including, without limitation, any and all correspondence relating to the Cost Reports or rights to settlements and retroactive adjustments on Cost Reports, notices of program reimbursement, proposed audit adjustments and the like and Prime Healthcare's responses to same. Within a reasonable period of time after the final settlement or other adjudication of each Cost Report, Prime Healthcare shall provide DCHS with a copy of each such final settlement or contest.

ARTICLE 12 POST-CLOSING MATTERS

12.1 Retained Assets and Excluded Liabilities.

(a) Subject to Section 11.2 and Section 11.3, any asset, liability, remittance, mail and other communication that is a Retained Asset or an Excluded Liability (i) pursuant to the terms of this Agreement; (ii) as otherwise determined by the parties' mutual written agreement; or (iii) absent such agreement, as determined by adjudication by a court or similar tribunal, which comes into the possession, custody or control of Prime Healthcare, shall within five (5) Business Days following receipt of such be transferred, assigned or conveyed by Prime Healthcare to DCHS at Prime Healthcare's cost. Prime Healthcare shall not have any right, title or interest in or obligation or responsibility with respect to such Retained Assets or Excluded Liabilities except that Prime Healthcare shall hold such Retained Assets and Excluded Liabilities in trust for the benefit of DCHS. Prime Healthcare shall have neither the right to offset amounts payable to DCHS under this ARTICLE 11 against, nor the right to contest Prime Healthcare's obligation to transfer, assign and convey to DCHS because of, outstanding claims, liabilities or obligations asserted by Prime Healthcare against DCHS. If Prime Healthcare does not remit Retained Assets or Excluded Liabilities to DCHS in accordance with the first sentence of this Section 12.1(a) such Retained Assets and Excluded Liabilities shall bear interest at the prime rate as published in the Wall Street Journal, Eastern print edition in effect on the calendar day upon which such payment was required to be made to DCHS (the "*Retained Asset Due Date*") plus five percent (5%) (or the maximum rate allowed by Law, whichever is more), such interest accruing on each calendar day after the Retained Asset Due Date until payment of the Retained Assets and the Excluded Liabilities and all interest thereon is made to DCHS.

(b) Subject to Section 11.2 and Section 11.3 hereof, any asset, liability, remittance, mail and other communication that is assumed by Prime Healthcare (i) pursuant to the terms of this Agreement; (ii) as otherwise determined by the parties' mutual written agreement; or (iii) absent such agreement, as determined by adjudication by a court or similar tribunal, which comes into or remains in the possession, custody or control of DCHS shall within five (5) Business Days following receipt of such be transferred, assigned or conveyed by DCHS to Prime Healthcare at Prime Healthcare's cost. DCHS shall not have any right, title or interest in or obligation or responsibility with respect to such assumed asset or liability except that DCHS shall hold such assumed asset and liability in trust for the benefit of Prime Healthcare.

DCHS shall have neither the right to offset amounts payable to Prime Healthcare under this ARTICLE 11 against, nor the right to contest their obligation to transfer, assign and convey to Prime Healthcare because of, outstanding claims, liabilities or obligations asserted by DCHS against Prime Healthcare. If DCHS does not remit such assumed asset or liability to Prime Healthcare in accordance with the first sentence of this Section 12.1(b), such asset and liability shall bear interest at the prime rate as published in the Wall Street Journal, Eastern print edition in effect on the calendar day upon which such payment was required to be made to Prime Healthcare (the “*Asset Due Date*”) plus five percent (5%) (or the maximum rate allowed by Law, whichever is less), such interest accruing on each calendar day after the Asset Due Date until delivery of the assumed asset and liability and all interest thereon is made to Prime Healthcare.

12.2 Access to Records After Closing.

(a) After the Closing, the DCHS Trustee shall grant to Prime Healthcare access to and permit Prime Healthcare to make copies of any of the Retained Records in its possession as may be reasonably necessary for the receiving party (i) to provide patient care, or (ii) comply with any Law, or (iii) for any lawful purpose including, without limitation, actions by Prime Healthcare in performance of its respective obligations, or the exercise of its respective rights, under this Agreement. Any Retained Records delivered to or made available to any party shall be returned to the DCHS Trustee when such use therefor has terminated.

(b) Access to Retained Records pursuant to Section 12.2(a) shall be, whenever reasonably possible, during normal business hours and with reasonable prior written notice of the time when such access shall be needed.

(c) To the maximum extent permitted by any Law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Retained Assets, promptly after receiving the request for such documents and prior to any disclosure of such documents, Prime Healthcare shall notify the DCHS Trustee and shall provide the DCHS Trustee with the opportunity to object to, such request or demand.

12.3 Consents; Provision of Benefits of Certain Contracts. DCHS and Prime Healthcare shall each use reasonable efforts and cooperate in good faith (i) to obtain any additional consents, approvals, authorizations, accreditations, certifications, clearances and Licenses in addition to those listed on **Schedules 6.3(b)(i), 6.3(b)(ii), 7.1(a)(i) and 7.1(a)(ii)**, or which DCHS and Prime Healthcare agree to be necessary or appropriate and which have not been obtained as of the Closing Date; (ii) in the preparation of any document or other material which may be required by any Governmental Entity or accrediting or certifying bodies as a predicate to or result of the Transaction; and (iii) to effectuate the assignment or provision of benefit of any additional Contracts or Real Estate Leases to Prime Healthcare, if any, that have not already been assigned as of the Closing Date in accordance with Section 7.5.

ARTICLE 13 MISCELLANEOUS

13.1 Enforcement Expenses. In the event any party elects to incur legal expenses to enforce, defend or interpret any provision of this Agreement as between it and the other party,

the prevailing party will be entitled to recover from the non-prevailing party (or non-prevailing parties, jointly and severally) the amount of such legal expenses, including reasonable attorneys' fees through appeal, costs and necessary disbursements, in addition to any other relief to which such party will be entitled.

13.2 Survival and Enforcement of Governance Provisions. At all times, DOCMSC shall have the authority to enforce DCHS' rights under this Agreement, including the post-Closing covenants of ARTICLE 7 and ARTICLE 13. For the avoidance of doubt, it is the express intent of the parties that DOCMSC shall have the right to enforce the obligations of DCHS and Prime Healthcare without the impediment of any defense to an action to enforce such rights that Prime Healthcare or DCHS may have other than actual fraud on the part of DOCMSC.

13.3 Notice. Any notice, demand or communication required, permitted or desired to be given hereunder must be in writing and will be deemed effectively delivered when personally delivered or when actually received by recognized overnight courier, addressed as follows:

If to DCHS:

Daughters of Charity Health System
26000 Altamont Road
Los Altos Hills, California 94022-4317
Telephone number: 650-917-4528
Facsimile number: 650-917-4534
Attention: President and Chief Executive Officer

With a copy (which shall not constitute notice) to:

Ropes & Gray LLP
3 Embarcadero Center, Suite 300
San Francisco, California 94111
Telephone number: 415-315-6394
Facsimile number: 415-315-4801
Attention: John O. Chesley, Partner

Daughters of Charity Health System
26000 Altamont Road
Los Altos Hills, California 94022-4317
Telephone number: 650-917-4522
Facsimile number: 650-941-6309
Attention: Pascale Roy, General Counsel

If to DOCMSC:

Daughters of Charity Ministry Services Corporation
26000 Altamont Road
Los Altos Hills, California 94022-4317
Telephone number: 650-917-4528
Facsimile number: 650-917-4534
Attention: President and Chief Executive Officer

With a copy (which shall not constitute notice) to:

Ropes & Gray LLP
3 Embarcadero Center, Suite 300
San Francisco, California 94111
Telephone number: 415-315-6394
Facsimile number: 415-315-4801
Attention: John O. Chesley, Partner

If to Prime Healthcare:

Prime Healthcare Services
3300 East Guasti Road, 3rd Floor
Ontario, California 91761
Telephone number: 909-235-4400
Facsimile number: 909-235-4421
Attention: President and Chief Executive Officer

With a copy (which shall not constitute notice) to:

Prime Healthcare Services
3300 East Guasti Road, 3rd Floor
Ontario, California 91761
Telephone number: 909-235-4311
Facsimile number: 909-235-4419
Attention: General Counsel

or to such other address, or to the attention of such other Person, as any party may designate by notice delivered in like manner.

13.4 Schedules and Other Instruments. Each Schedule provided hereunder and each written disclosure required hereby is incorporated by reference into this Agreement and will be considered a part hereof as if set forth herein in full.

13.5 Governing Law; Jurisdiction. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of California applicable to agreements made and to be performed entirely within such State, without regard to the conflicts of law principles of such State. The parties hereto agree that any action seeking to enforce any provision of, or based on any matter arising out of or in connection with, this

Agreement or the Transaction may only be brought in the United States District Court for the Northern District of California or any California State court sitting in the County of San Francisco, California, and each of the parties hereby consents to the exclusive jurisdiction of such courts in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, and each party agrees that, in addition to any method of service of process otherwise permitted by law, service of process on each party may be made by any method for giving such party notice as provided in Section 13.3, and shall be deemed effective service of process on such party.

13.6 Specific Performance. Each of the parties acknowledges and agrees that the other party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the parties agrees that, without posting a bond or other undertaking, the other party will be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which the other parties may be entitled, at law or in equity, including without limitation that DOCMSC can seek specific performance to enforce Sections 2.6 and 7.4 against Prime Healthcare. Each party further agrees that, in the event of any action for specific performance in respect of such breach or violation, it will not assert that the defense that a remedy at law would be adequate.

13.7 Amendments. This Agreement may not be amended other than by written instrument signed by DCHS, DOCMSC, PHF and Prime Healthcare.

13.8 Public Disclosure. Except for: (a) necessary disclosures to such party's directors, officers, employees, counsel, accountants, bankers and other agents; (b) disclosures deemed to be required by Prime Healthcare or DCHS, upon the advice of counsel, under any Laws, and after reasonable prior notice to the other party; (c) disclosures made with the mutual written consent of Prime Healthcare and DCHS; and (d) disclosures made to any Governmental Entities, each party will keep the existence and the provisions of this Agreement confidential both prior and subsequent to the Closing Date. In addition, DCHS and Prime Healthcare shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or the Transaction contemplated hereby, and DCHS and Prime Healthcare each shall have the right to review and comment on the other party's press releases prior to issuance.

13.9 Assignment and Benefit. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and permitted assigns. Neither party may assign, delegate or otherwise transfer either this Agreement or any of the party's rights, interests or obligations hereunder without the prior written approval of the other party, and any attempt to do so will be null and void *ab initio*. Notwithstanding the foregoing, either Prime Healthcare or PHF may assign certain of their respective rights, interests or obligations hereunder to various of their Affiliates without DOCMSC' and DCHS' consent as of or after the Closing; *provided, however*, that no such

assignment of this Agreement will relieve Prime Healthcare of any of its obligations hereunder. This Agreement is not intended to benefit any Person other than the parties and their respective Affiliates.

13.10 Waivers and Consents. Any waiver of any provision of this Agreement and any consent given hereunder must be in writing signed by the party sought to be bound. The waiver by any party of a breach or violation of any provision of Agreement will not operate as, or be construed to constitute, a waiver of any subsequent breach or violation of the same or any other provision hereof. No delay or failure on the part of any party in exercising or enforcing any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise of any other right, power or privilege.

13.11 Severability. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality or unenforceability will in no event affect, prejudice or disturb the validity of the remainder of this Agreement, which will be and remain in full force and effect, and enforceable in accordance with its terms.

13.12 Counterparts. This Agreement, and any document or instrument required or permitted hereunder, may be executed in counterparts, each of which will be deemed an original and all of which together will constitute but one and the same instrument. DCHS and Prime Healthcare agree that facsimile and electronically scanned or pdf copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

13.13 Entire Agreement. This Agreement, including the recitals, exhibits and schedules and any other agreement which is incorporated herein by reference including the agreements and documents contemplated by ARTICLE 3, supersede all previous agreements and constitute the entire agreement of whatsoever kind or nature existing among the parties representing the within subject matter, and no party will be entitled to benefits other than those specified herein. The parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations, warranties and agreements contained herein and therein and no others. All prior representations or agreements, whether written or oral, not expressly referenced herein are superseded.

13.14 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedules, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto or thereto.

13.15 Gender and Number; Construction. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly

provided, the word “including” followed by a listing does not limit the preceding words or terms and shall mean “including, without limitation.”

13.16 Confidentiality. That certain Confidentiality Agreement dated March 5, 2014, between DCHS and PHF shall remain in effect and be binding on PHF and DCHS notwithstanding execution of this Agreement.

13.17 Advance Conflict Waiver. Prime Healthcare hereby waives and agrees to not assert, and agrees to cause DCHS and its Affiliates to waive and not assert, any actual or potential conflict of interest arising out of or relating to the representation, after the Closing Date, of DOCMSC and its Affiliates in any dispute with Prime Healthcare or DCHS in any matter involving this Agreement or the Transaction (each, a “*Post-Closing Representation*”), by Ropes & Gray LLP, Seyfarth, Shaw LLP, Dumas & Clark LLP or any other internal or external legal counsel currently representing DCHS (each, a “*Prior Company Counsel*”) in connection with this Agreement or the Transaction (“*Pre-Closing Representation*”). Prime Healthcare further waives and agrees to not assert, and agrees to cause DCHS and its Affiliates to waive and not assert, in connection with any Post-Closing Representation, any attorney-client privilege with respect to any communication between any Prior Company Counsel and DOCMSC and its Affiliates, DCHS and/or any of its Affiliates and any of its or their respective officers, directors, members, employees or managers that relates to the Pre-Closing Representation. After the Closing Date, DCHS shall not have any further attorney-client relationship with Prior Company Counsel relating to the Transaction. Notwithstanding the advance waiver of conflicts relating to any Post-Closing Representation set forth in this Section 13.17, DCHS does not waive any attorney-client privilege, attorney work-product protection, or expectation of client confidence of such Persons relating to any Prior Company Counsel representation unrelated to the Transaction, and (a) all confidential/proprietary information of DCHS and its Affiliates, and all attorney-client privileged information thereof, remain the property of DCHS and its Affiliates, and all rights in that regard are reserved, (b) the advance waiver of conflicts set forth in this Section 13.17 is being granted on the condition that Prior Company Counsel shall not make either direct or derivative use of any of DCHS’ or its Affiliates confidential/proprietary or attorney-client privileged information vis-à-vis any third parties, and (c) if any confidential/proprietary or attorney-client privileged information of DCHS or its Affiliates unrelated to the Transaction is used by DOCMSC or its Prior Company Counsel, including but not limited to in any Post-Closing Representation against DCHS or Prime Healthcare related to the Transaction, DCHS or Prime Healthcare shall be entitled to move to disqualify any counsel involved and pursue all other available remedies on the basis of using such confidential/proprietary or attorney-client privileged information of DCHS or its Affiliates that is unrelated to the Transaction.

[Signatures to Follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized officers, all as of the date and year first above written.

DCHS ENTITIES:

**DAUGHTERS OF CHARITY HEALTH
SYSTEM**

Name: _____

Print: _____

Title: _____

**DAUGHTERS OF CHARITY MINISTRY
SERVICES CORPORATION**

Name: _____

Print: _____

Title: _____

PRIME HEALTHCARE ENTITIES:

PRIME HEALTHCARE SERVICES, INC.

Name: _____

Print: _____

Title: _____

PRIME HEALTHCARE FOUNDATION, INC.

Name: _____

Print: _____

Title: _____